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Further on Geneva Talks on Bosnia

Territory Decisions Viewed

LD0607125394 Belgrade TANJUG Domestic Service in Serbo-Croatian 1146 GMT 6 Jul 94

[Excerpts] Geneva, 6 Jul (TANJUG)—The foreign ministers making up the contact group presented their proposal on the territorial division of former Bosnia-Herzegovina to the Bosnian leaders in the Russian mission in Geneva today. [passage omitted]

As predicted, the Bosnian Serbs should make the largest territorial concessions, particularly in northern Bosnia where, according to the contact group, almost the entire area around Brcko goes to the Croat-Muslim Federation. The Serb [Brcko] corridor which links the [Bosnian] Serb Republic and the Federal Republic of Yugoslavia remains in Serb hands.

Two Muslim enclaves, Zepa and Srebrenica, are practically joined in one, and Gorazde is to be linked with Sarajevo.

Sarajevo's status is not defined. The idea of placing the city under UN protection is still around.

The town of Prijedor remains in the territory of the Serb Republic. A wide corridor around Bihac has been given to the Muslim-Croat Federation. [passage omitted]

The reaction of President Kresimir Zubak of the Muslim-Croat Federation was: "We can even be very satisfied by the map."

Karadzic Misses News Conference

AU0607161594 Zagreb HINA in English 1405 GMT 6 Jul 94

[Unattributed report: "Bosnian Serbs Shy Away From Geneva Press Conference"]

[Text] Geneva, 6 Jul—Members of the five-nation contact group met in Geneva Wednesday [6 July] for talks with Bosnian Serb leader Radovan Karadzic and other Bosnian Serb representatives to present them with a proposal for the territorial and political organization of Bosnia-Herzegovina and a map showing internal boundaries between the Moslem-Croat federation and the Serbs in Bosnia-Herzegovina. Details of the progress of the meeting are not known. British, French, German, Russian, and U.S. diplomats involved in the contact group refrained from making any statements, but Serb representatives said that their leader Karadzic would hold a press conference at a Geneva hotel following the talks with the contact group. However, neither Karadzic nor any of the members of the Bosnian Serb delegation appeared at the press conference. They allegedly left Geneva immediately after the meeting at the Russian Embassy.

It is generally believed that such a move confirms previous negative statements by Bosnian Serbs concerning the contact group's proposal. Since Russian Foreign Minister Andrei Kozyrev is in Belgrade today, where Karadzic has also allegedly gone, the outcome of his talks with Serbian President Slobodan Milosevic and an official response from the Bosnian Serbs to the proposal of the contact group are expected.

More on Karadzic Reaction to Plan

LD0607173894 Belgrade TANJUG in English 1553 GMT 6 Jul 94

[Text] Geneva, July 6 (TANJUG)—Bosnian Serb president Radovan Karadzic said Wednesday that the maps of the 'Contact Group' for Bosnia reflected the dictates of United States. Karadzic told the Bosnian Serb news agency SRNA that the 'contents and the ultimatum-like style of the peace package is clearly a product of U.S. dictates,' and that 'Europe and Russia, built none of their views into the package.'

The plan was made public Tuesday by Russian Foreign Minister Andrey Kozyrev on behalf of all five foreign ministers from the Contact Group countries: The United States, Russia, France, Great Britain, and Germany.

Karadzic said Kozyrev's statement that the Moslems would be exempted from the arms embargo on former Yugoslavia if the Bosnian Serbs did not accept the maps was 'not a new threat.'

Karadzic said the embargo had never really been respected, and said the Moslems were regularly 'supplied with all available weaponry via Croatia.'

International media have reported that numerous Moslem countries have sent weapons and mujahedin volunteers to the Bosnian Moslems in violation of the U.N. arms embargo.

Karadzic said the Bosnian Serbs would use the two-week response period to consider all the implications of the proposed plan, and would then take a stand on the peace package.

Kozyrev said the five foreign ministers had opted for Bosnia as 'one state with internationally recognized borders,' saying the warring sides would be offered demarcation settlements that would 'respect the interests of all sides.'

Kozyrev said Bosnia's Moslems, Croats and Serbs would be asked to accept the 'peaceful ultimatum' or face continued sanctions against Yugoslavia or new sanctions against the other side.

The Contact Group maps were shown to the leaders of the warring sides on Wednesday. The Contact Group plan would give 51 percent of Bosnia to the Moslem-Croat federaton and 49 percent to the Bosnian Serbs.

TANJUG Notes Further Reactions

LD0607201394 Belgrade TANJUG in English 2002 GMT 6 Jul 94

[By Dragan Milosavljevic]

[Text] Geneva, July 6 (TANJUG)—Maps containing delimitation were presented Wednesday in Geneva a day after the ministers of the five, presided by Russian Foreign Minister Andrey Kozyrev, unveiled the political framework of the 'peaceful ultimatum' with a message to the warring sides that Bosnia remain, as set out, one internationally-recognized state.

The Bosnian Serb republic (R.S.) president, Radovan Karadzic, was in no mood for elaborate statements after his delegation met with the experts. According to the sources at the Russian mission, he described the 'peaceful ultimatum as a U.S. diktat.' He only briefly told the journalists the peace plan would be carefully looked into within the next 14 days.

Under the plan, 49 percent of territory of the former Bosnia- Herzegovina was to go to the R.S.

On arriving Tuesday to Geneva, Karadzic said the maps, from what he has managed to find out of their content, were unacceptable for the Serbs.

The maps were not unveiled for the press but according to what has leaked out, mainly from the Moslem-Croatian sources, towns in eastern Bosnia—Zvornik, Rogatica, Bratunac and Vlasenica as well as the town of Prijedor in western Bosnia would remain part of the Bosnian Serb territory. Bosnian Moslem Prime Minister Haris Silajdzic described this as a bad solution, as Prijedor, in view of the Moslems, must in no way be Serb.

The Moslem enclaves of Srebrenica and Zepa, according to these sources, were to be linked with a corridor. Also, according to the plan, Gorazde, which remains in Moslem hands, would get a corridor to Sarajevo. What was also announced was the opening of a corridor for the Moslems between Bihac in eastern Bosnia and central Bosnia. Visegrad in eastern Bosnia would according to these sources be divided.

Alluding to the 'carrot and stick' approach, Silajdzic noted that the Moslems did not get much of the carrots but that the Serbs would in any case get much of the sticks.

He said that the plan did have serious flaws, but that its fate would be decided on in Sarajevo. He was not enthusiastic about the fact that, although very much thinned out, the Serbs continue to have a corridor in the Sava river region, linking eastern and western parts of the R.S. as well as the town of Brcko. However, according to his statement, this was within the range of the sacrifices that would have to be accepted.

If the plan was accepted mutually, the entire surrounding of Brcko would go to the Croatian-Moslem federation, and the corridor in the Sava river area would be maximally narrow, something the R.S. delegation has rejected as absolutely unacceptable.

Silajdzic let it be known that the Moslems would put forth certain demands as regards international guarantees of this undivided Bosnia. The first demand would be that UNPROFOR secure all the borders of this state including the border on the Drina river.

The basic impression was that only the Croatian side could be satisfied with the offered solutions. Special envoy of Croatian President Franjo Tudjman in Geneva Miomir Zuzul described the declaration of the ministers as a 'definitive recognition of an undivided Bosnia with internationally-recognized borders,' something he believes was a very realistic solution.

Certain speculations in diplomatic and journalistic circles were stirred by Kozyrev's trip to Belgrade where he was to inform Serbian President Slobodan Milosevic about the latest Geneva round.

It was noted here that Warren Christopher had refused to meet Karadzic, but did receive Bosnian Moslem leader Alija Izetbegovic, Croatia's Foreign Minister Mate Granic and Silajdzic, while Kozyrev found it necessary to hold consultations in Belgrade about the implications of the 'peaceful ultimatum' with Serbian President Slobodan Milosevic.

Zubak, Izetbegovic Sign Accord on Mostar

AU0507190294 Paris AFP in English 1839 GMT 5 Jul 94

[Text] Geneva, July 5 (AFP)—Croats and Moslems signed an agreement here Tuesday [5 July] putting the disputed Bosnian city of Mostar under the control of the European Union [EU], in a bid to defuse tension between the former enemies who both claim the city as their own.

The accord was signed by Bosnian president Alija Izetbegovic and Bosnian Croat leader Kresimir Zubak, along with foreign ministers from Germany, France and Greece representing the European Union and Peter Koojmans for the Western European Union defence body.

Despite a ceasefire signed in February and the creation of the new Croat-Moslem federation three weeks later, tensions have remained high in Mostar, the scene of some of the most brutal fighting between the two communities since May 1993.

At the worst of the fighting, Moslem civilians besieged in the eastern part of town by Croat forces huddled in shelters as shells rained down for up to 17 hours a day, destroying its world-renowned historic Turkish bridge.

Under the UN-approved accord, some 200 EU policemen will start deploying in the city within a fortnight and Brussels will pour in some 30 million Ecus (36 million dollars) in aid over the next six months, notably to help with reconstruction of the badly damaged town.

The EU has appointed the former mayor of the German city of Bremen, Hans Koschnik, as the town's administrator for up to two years. UN Protection Force Spanish soldiers, already on the ground, are to remain to assist in security operations.

Issue of Former Security Service Files Viewed

AU0507083094 Tirana GAZETA SHQIPTARE in Albanian 29 Jun 94 p 1

["B.C."-initialed report: "That Is What the Sigurimi (Security) Files Contain"]

[Text]

A Former High Sigurimi Official Speaking

Tirana—"Thousands of files have been compiled, most of which are still preserved in the secret archives. They were of two kinds: the first group containing data collected by numerous informants, and the second group containing personal data on the informant himself. Only a limited number of persons knew of their contents." After the renewal of the old debate on the issue of opening the files, here is one of the former functionaries of the Interior Ministry—he prefers to remain anonymous—who, for the first time, has made up his mind to explain how the colossal network of information, pouring from all over the country into the offices of the redoubtable Sigurimi, was woven.

What do the Sigurimi files contain, and have there been cases of their annihilation?

"There were two kinds of files: those composed of data collected by the informants, and those filled with data on the personal identity of the informants themselves. Only a very limited group of people knew about thses: operative workers [Sigurimi officers], the chairman of the Interior Section, and the party secretary of the district, who was the almighty master of all secrets. In 1991, when the SHIK [National Information Service] was reorganized, instructions were given to destroy the files containing reports on agitation and propaganda offenses, as they were thought to be of no interest."

Is it possible to find fake data in these files?

"Generally, the data collected by informants were checked with a parallel spy network. There were never less than two persons working parallel for one file, and they did not know each another. In certain cases, verification was carried out by operative techniques, mainly by recording telephone calls with tape recorders that were as small as a match box."

How was the informants' data used, and what was the main goal of their work?

"The first time, the culprit was censured, then came his public denunciation, and in grave cases he was arrested. In cases considered extreme, the arrest was immediate, without passing through the stages I mentioned above. The accused was confronted with two or three witnesses. Arrests were always carried out when the material "proof" was ready to back up the indictment, concocted in the way the regime wanted—mainly recorded conversations—otherwise—and it was the last card used in such cases—the collaborator was exposed and called as a witness. It is clear that, from that moment on, he became worthless as informant. The main target of prosecution, through the help of agents, were persons at that time described as declassed, interned people, and families whose relatives had contacts with foreign subjects. The Sigurimi agents also penetrated the prison cells. Tourist hotels were another wide field of activity, where at least half the waiters were Sigurimi members, let alone the hotel deputy directors who were always Sigurimi officers."

In what way were the agents recruited, and how were they paid?

"They were people that the operative workers recruited just by reminding them of their "duty toward Homeland and the Party." For the rest, the method known as "coercion procedure" was used, which meant forcing uncompromised people to work for the Sigurimi. In Tirana alone, there were 700 active informants, including those who worked on ordinary crimes. As for their compensation, no defined rules existed, but for a "good job" 100-1,000 leks were granted. In many cases, the agent was rewarded with a work of Enver [Hoxha].

Two different opinions about the opening of files

Tirana—A common opinion was not reached regarding the old problem of files during the round table discussions organized by the Albanian Helsinki Committee. Again, there were two prevailing opinions in these discussions. One of them—supported mainly by former persecuted people—was in favor of complete access to the files, without any restrictions. According to those who spoke in support of this thesis, the files of the Sigurimi collaborators must be made known to the public, regardless of whom they belonged to. The second opinion was backed up mainly by a group of intellectuals, who have constantly repeated the idea that only the files of politicians of a certain level should be opened, and that this would serve the national unity of the Albanians. Nevertheless, all speakers stressed the necessity of a legal solution to this acute problem, inherited from the recent past.

Power Supply Official Wants New Nuclear Plant

AU0507121294 Sofia POGLED in Bulgarian No. 26, 27 Jun 94 p 11

[Interview with Nikita Shervashidze, chairman of the Committee for Power Supply, by Srebro Bozhilov; place and date not given: "Russian Steel Plus Western Technology Equals Bulgarian Nuclear Power Industry"]

[Text] [Bozhilov] You have always claimed you do not manage, but plan our energy industry. If our economy suddenly springs into action, leading to increased energy consumption, is our energy industry in a position to meet this demand?

[Shervashidze] There are two trends that we are doing our utmost to plan for and combine effectively. One of these is our policy on energy saving, which we have spent much time discussing for many years, but have done nothing. For each unit of production, we use 2-2.5 times more energy and 3.5-4 times more electricity than Europe does.

We can get through the next four or five years without having to make any major investments, provided that we rehabilitate our old power plants, complete the construction of certain installations, and make certain investments that are essential for ecological reasons.

However, if we continue to operate within the framework of a pricing system that does not allow us to make any investments, unless we accept foreign loans and unless we create a pricing system that permits us to invest our own money in the energy industry, in five or six years' time we will find ourselves in a situation where, despite all our efforts to conserve energy, we will face an insoluble problem.

In my view, investments in energy saving are much more beneficial than investments in energy production. Within the next four or five years, we have to invest money, first and foremost, in energy conservation, and second, in maintaining our existing production capacities. When this period is over, we will have exhausted the possibilities for energy saving, and we will then certainly have to invest in new energy-generating capacities, because we have many out-of-date power plants whose reserves are nearing exhaustion.

We have to create an economic mechanism that will make both processes possible and feasible. We will not get anywhere unless we combine planning with execution.

[Bozhilov] What lies in store for our energy industry in five years' time, then? Will we build the Belene nuclear plant?

[Shervashidze] All authoritative research studies carried out to date have shown that we cannot build anything cheaper than this plant. We have already invested about $1 billion in Belene, and there is no other investment that, after further construction, will provide us with 1 kilowatt of installed capacity for $1,000. Whatever else we may build, whatever other funds we may obtain, we will not obtain anything more efficient.

[Bozhilov] Are you not afraid that it will cost a further 3 or 4 billion dollars to complete the construction of this plant?

[Shervashidze] Even the World Bank has changed its negative attitude to nuclear power, and it is already talking about completing the Belene plant. The document to this effect is dated this year. Who will finance the construction work is another matter. It is simply that Belene is the most propitious investment.

I support the thesis of using domestic coal resources and nuclear power. We have coal, so we should use it to make ourselves independent as regards energy, which in practice also means national independence.

If it transpires that the most advantageous solution is for the state to spend 50 billion leva on the Belene nuclear power plant instead of 100 billion on something else, then we should build the nuclear plant. If it turns out that the committee and I have done badly as a planning body, then let the other concept triumph, let them replace us. The big question now is who will prove he is right. We are working with many authoritative world organizations and companies that are offering serious arguments in our support.

[Bozhilov] This is one of the most serious charges made against you, namely that you are a member of the world nuclear lobby.

[Shervashidze] I do not deny I am a member of a lobby. This is the same as saying that a man defends his convictions, and my conviction is that there is no future without a new nuclear power plant. The whole of Eastern Europe shares this idea, because without nuclear power plants countries poor in energy resources simply cannot guarantee their living standards.

We could also import everything, like Bangladesh, only I do not believe any Bulgarian would want this. The practice of using nuclear energy for political purposes is already outdated.

[Bozhilov] Are you ready to take part in a debate on nuclear power issues, and if your opponents defeat you with arguments and figures, will you acknowledge defeat?

[Shervashidze] I think that the nuclear energy issue is a question for debate, it is a matter of convincing the public. The public must decide whether it is more advantageous to import energy and pay six cents for each kilowatt-hour, or to build nuclear power plants that guarantee work for thousands of people and high technological achievements, while assuming certain risks. I do not deny that there are risks!

[Bozhilov] The likelihood of an accident is estimated to be one in a million, is it not?

[Shervashidze] Whether it is one in a million or one in 100,000 is a matter for argument. It is a question of society making a choice. I would like you to recall that France obtains one-fifth of its national income from exporting electric power. Germany invented electricity, yet imports electric power from France.

Personally, I am not prepared to sacrifice my standards for the sake of ecological criteria that are extremely vague, much more obscure than the risk situations. Everyone talks about the Chernobyl disaster, but someone should count the number of victims. The exact number is 31.

[Bozhilov] Your opponents accuse you of insufficient competence in the nuclear power field, pointing out that you are a chemist by education...

[Shervashidze] I am a not a chemist, but a chemical engineer, which is something quite different. For the information of my critics, I hold four degrees, so that I can talk with authority on the subjects of chemistry, nuclear power engineering, economics, and nuclear power risks. I have been associated with the Kozloduy Nuclear Power Plant for many years.

[Bozhilov] One of the most serious objections to building the Belene nuclear power plant is that the 1,000-megawatt reactor units that are planned to be used there may very easily cause a complete breakdown of the national grid if they are shut down or suffer an accident.

[Shervashidze] That is correct. At the moment, however, we have two 1,000-megawatt units in operation, and we have no problems. Moreover, the Chaira pumped storage hydroelectric plant is being built as a standby, should one of the 1,000-megawatt units fail.

However, I do not believe we will build a 1,000-megawatt unit at Belene. We can use some of the equipment from the 1,000-megawatt reactor, but I have an objection to it, because these units involve more risk. Indeed, Belene will not be built at all in the form in which it was planned. I guarantee this to you, insofar as it depends on me.

[Bozhilov] Can we solve our energy problems by building small electric power plants of the "classic" type? Moreover, the specialists claim that we could produce such equipment ourselves.

[Shervashidze] This is true, if you are referring to small hydroelectric power plants. Bulgaria manufactures almost all the equipment for them. However, the answer is contained in the question itself. These are small plants, they can only solve a small problem, and our problem is a big one. Bulgaria's energy problem can only be solved through a combination of nuclear power and generating plants burning domestic coal. The energy from gas-fired power plants is very expensive—4 cents per kilowatt-hour as compared with 30 stotinki per kilowatt of nuclear power. The cost of nuclear-produced electricity in Bulgaria will always be much less than the cost of power from imported fuel. The only competitor is domestically produced coal, but our coal is mostly lignite and contains a lot of sulfur, which makes cleaning installations necessary. The time is over when we could build 300-meter-high smokestacks and think that because we are not discharging waste gases all over Khaskovo, everything is fine. However, we are sending these gases to Greece! One needs 2 kg of lignite to produce 1 kilowatt-hour, but this means discharging 80 g of sulfur for every kilowatt-hour. Everyone in Europe knows this. At the cost of a scandal, we have postponed signing the European conventions on this issue from 1996 to 2004.

[Bozhilov] Is it possible to install American or West European equipment in a Soviet generator? Are the two not incompatible?

[Shervashidze] This is the only possibility.

The best way is to use Russian steel with high-tech Westinghouse or Siemens equipment. I cannot accept a purely Russian alternative, and we cannot afford purely Western equipment, which would cost twice as much.

Zieleniec, Iraq's al-Sahhaf View Cooperation

JN0607151794 Baghdad INA in Arabic 1317 GMT 6 Jul 94

[Text] Prague, 5 Jul (INA)—[Iraqi] Foreign minister Muhammad Sa'id al-Sahhaf met in Prague today with Czech Foreign Minister Josef Zieleniec. During the meeting, the foreign minister explained in detail the latest developments in the relations between Iraq and the UN Security Council and Iraq's cooperation with the Special Commission. He also explained the role the Czech Republic can play through the UN Security Council to secure the implementation of Paragraph 22 of UN Security Council Resolution 687 and the lifting of the blockade imposed on Iraq.

During the meeting, the Czech foreign minister emphasized his country's sincere desire to promote bilateral relations of cooperation, adding that his country, as a nonpermanent UN Security Council member state, is not willing to be a passive listener or part of the mechanism of voting in the council.'

In Prague yesterday, Muhammad Sa'id al-Sahhaf and Czech Minister of Industry and Trade Vladimir Dlouhy attended the signing ceremony of a bilateral economic and industrial cooperation agreement.

It is noteworthy that the foreign minister arrived in Prague on 4 July on an official visit to the Czech Republic at the invitation of his Czech counterpart.

Deputies Continue Debate on Presidency, Senate

94CH0301A Prague LIDOVE NOVINY in Czech 4 Jun 94 p 3

[Article by ce, has: "The Strengthening of Presidential Authorities"]

[Text] Prague (ce, has)—Yesterday, the KDU-CSL [Christian and Democratic Union—Czechoslovak People's Party] issued a statement rejecting any further unproductive discussions regarding a senate and proposes to focus its considerations in the direction of strengthening the authorities of the presidency.

"The number of people rejecting the establishment of a senate is much greater than the number of those who are publicly so proclaiming," the declaration notes regarding the situation which occurred following the rejection of the law on elections to the parliament. As stated by Jan Kasal, deputy party chairman, the KDU-CSL believes that the majority in the Assembly actually does not wish to have a senate. It considers as the way out the strengthening of presidential authorities, particularly at this time when the failure to fill up the second chamber makes it impossible to dissolve the Assembly. To judge that intention, a commission should be established, composed of representatives of all parties represented in the Assembly. Kasal is convinced that the Assembly is capable of adopting a law that would make it possible to dissolve it. According to M. Vyborny, chairman of the KDU-CSL faction, there is a need to conduct serious debate about whether the political will to staff a senate or to augment the Constitution, perhaps only for the remainder of this election period, can be found.

Establishment of a commission would be welcomed by delegates of the leftist bloc. As noted by J. Ortman, chairman of the leftist bloc faction, the commission should weigh all possibilities of amending the Constitution. P. Buzkova, deputy chair of the CSSD [Czechoslovak Social Democratic Party], judges that strengthening presidential authorities "would not be disadvantageous," because now those authorities are not overly strong. "I cannot absolutely agree with the declaration by the KDU-CSL and it appears to me to be Pharisaic in nature," J. Honajzer, chairman of the ODS [Civic Democratic Party] faction, told LIDOVE NOVINY. As he stated, the KDU-CSL has not wished to have a senate and has said so several times in recent months. The subject of the senate could be returned to, according to him, with a new law. According to O. Kuzilka, chairman of the ODA [Civic Democratic Alliance] faction, the statement by the populist parties misses the point of the problem. They particularly fail to state whether the party actually wishes a senate to be developed or not.

President Havel believes that the Czech Republic lacks the political will to form a senate and to thus meet the terms of the Constitution. As he noted yesterday, there is either the possibility that the Constitution will be fulfilled and that the constitutional system will be functioning or there is the worse possibility—the Constitution will have to be changed. "In order for it to be valid and not fully met, this is the worst of all the possibilities. This is an undemocratic status because I cannot imagine a democracy which has, for example, an unresolvable parliament, as is the case today thanks to the nonexistence of a senate."

Kovacs on Upcoming Meeting With Christopher

LD0607222294 Budapest MTV Television Network in Hungarian 1800 GMT 6 Jul 94

[Excerpts] The fact that the Visegrad Group's foreign ministers and the U.S. secretary of state will meet in Warsaw tomorrow indicates a new European emphasis in U.S. foreign policy. [passage omitted]

[Begin recording] [Reporter] Tomorrow, you—as the future foreign minister—will go to Warsaw. You will meet President Clinton. What do you expect, what will happen there?

[Hungarian Foreign Minister-designate Laszlo Kovacs] There will be a meeting with President Clinton, but there will be a more detailed discussion with U.S. Secretary of State Warren Christopher, which will be attended by the foreign ministers of nine central European countries. I am going with the intention of stating the Hungarian position, the position of the new government, concerning three things.

First, the change of government in Hungary does not mean a setback either in the process of democratic transformation or in the switch to a social market economy. On the contrary, we think that this will open a phase entailing less social tension, fewer difficulties.

Second, I should like to say that Hungary has an interest in cooperation between the region's countries and feels that this strengthens the region's stability, and it also contributes to the countries' economic development.

Third, I should like to call the attention of the U.S. secretary of state to the fact that the region's stability is in the interest of the United States, as well, because this has a favorable impact on the stability of all of Europe, and it is necessary that the United States should play a role in this. It should see to guaranteeing the security of the region in some form, it should play a role in this, and it should assist the region's economic recovery.

[Reporter] Do you believe that it is necessary to convince U.S. foreign policy separately that Hungary is not changing its path? I think that the fact that you and Geza Jeszenszky, the outgoing foreign minister, are travelling there together indicates continuity in foreign policy.

[Kovacs] Yes, well I was not thinking of foreign policy. I was thinking that the change of government in Hungary does not constitute any sort of restoration.

[Reporter] To what extent did you and Mr. Jeszenszky coordinate your positions which you will represent out there?

[Kovacs] We will represent the position of the new government out there. I did not think it was necessary to coordinate this separately. Naturally, while we are traveling there we shall exchange opinions on what should be said—since what is said will be on behalf of Hungary. [end recording]

Coalition Outlines Economic, Political Agenda

94CH0322B Budapest MAGYAR HIRLAP in Hungarian 18 Jun 94 p 5

[Unattributed article: "Even Inadvertently, the Government Must Not Be Authorized To Oversee Hungarian Radio and Hungarian Television"]

[Text] *It was announced at the coalition talks between the MSZP [Hungarian Socialist Party] and the SZDSZ [Alliance of Free Democrats] that the moral rehabilitation must be ensured of Elemer Hankiss and Csaba Gombar, the media chiefs who have been the victims of character assassination. Gabor Fodor said yesterday that a bill on free radio and television broadcasting must be drafted as soon as possible, and also the opposition's support for it must be gained. The committee of economic experts rejected the idea of a substantial one-time devaluation.*

Outlining at their news conference yesterday the agreement reached by the committee of economic experts regarding the economic program of the MSZP and SZDSZ, Laszlo Bekesi and Marton Tardos emphasized that management of the acute crisis and a review of the system of economic institutions must begin immediately, because the new government would not have a 100-day honeymoon. In the opinion of the two politicians, the necessary actions can brook no delay.

In the short term it will be necessary to abolish the minimum tax, the withholding-tax rate must be reduced to zero, investment must be encouraged by means of standard incentives, a more simple lump-sum tax must be devised, and perhaps the excise tax will have to be raised. This is how Laszlo Bekesi summed up the changes necessary in the tax system. In addition, the government wants to reduce the state budget's total by 50 billion forints, primarily through cuts in expenditure. The financing of decentralized state trust funds will also be reviewed. The two coalition partners have agreed to continue a stable exchange-rate policy. They rejected the idea of a substantial one-time devaluation. And they have singled out for review also the state budget's financing by the central bank.

Marton Tardos emphasized that the two agencies for the management of state property must be merged, which would be accompanied also by a substantial reduction in personnel. Enterprise managers would be involved more actively in privatization in the future. The MSZP and the SZDSZ believe that a general agreement among the government, employers, and employees could be concluded by this autumn.

The coalition partners reject the present method of consolidating debt; it should be placed on a business basis. All this means that primarily the financing banks will have to review the plans for the reorganization of enterprises. It is not right, in the coalition partners' opinion, if state agencies as owners interfere in this process, when it is in their interest to preserve the enterprises at all costs. The two parties regard the

consolidation of banks as closed. Banks will be able to participate in further development after their privatization. But the coalition partners intend to accelerate the privatization of banks by every possible means.

Both the MSZD and the SZDSZ attach great importance to ensuring freedom of the press in the coming period. Gabor Fodor, cochairman of the committee of cultural experts in the coalition talks, said yesterday—after the committee completed its work by clarifying the situation that has evolved at the electronic media—that a bill on free radio and television broadcasting must be drafted as soon as possible, and also the opposition's support for it must be gained, in order to ensure freedom of the press. A summary of the agreements reached this week on several topics would be available Monday.

In conjunction with media matters, the two partners have made it perfectly clear that in the future both Hungarian Radio and Hungarian Television must have separate chapters in the state budget. To ensure that in the future the government is not authorized even inadvertently to oversee Hungarian Radio and Hungarian Television, the new cabinet must rescind the 1974 decree of the Council of Ministers on that subject. The moral rehabilitation of Elemer Hankiss and Csaba Gombar, the media chiefs who have suffered character assassination, must also be ensured. Otherwise the committee of cultural experts did not discuss who should be the presidents of the two electronic media, but it was agreed that future nominees could only be persons able to guarantee politically independent operation as public service media, and capable of promoting the rehabilitation of the radio employees who have been treated illegally or unfairly. About Duna Television it was said that its operation must be preserved, but changes would be necessary in its financing. After ending the discussion of the electronic media, the two parties established about the print media that the state would have to withdraw from all areas of publishing and distributing newspapers, and that also such newspapers would have to be privatized.

At the coordination of policies yesterday, several agenda items also were discussed that could not be covered earlier, due to the fast pace of the coalition talks. Thus we learned that the two parties are preparing to take meaningful action in the area of youth policy, but first want to have the necessary statutory regulations in place. In the future they will clarify the questions in conjunction with the assets of youth organizations, and will instruct the administration of the National Child and Youth Foundation to submit its report and to prepare an inventory of the foundation's assets. According to the plans, the foundation will continue to function as a public endowment, and also the composition of its board of trustees will be renewed. On the subject of sports, the establishment of a National Sports Foundation as a public endowment was proposed. The two parties also considered the need to submit a separate bill on sports to parliament.

Official Discusses Ethnic Hungarians Abroad

AU0607173294 Budapest NEPSZABADSAG in Hungarian 6 Jul 94 p 3

[Interview with Csaba Tabajdi, state secretary-designate in charge of the Office of National and Ethnic Minorities, by Tibor Kis; place and date not given: "Support for Minorities Should Be Made Clearer"]

[Text] The new coalition does not intend to integrate the government bodies dealing with the issue of minorities in Hungary and abroad, namely the Office of Hungarians Living Beyond the Borders and the Office of National and Ethnic Minorities. These bodies will preserve their organizational independence and will be supervised by a political state secretary. Csaba Tabajdi, the state secretary-designate, gave us an interview on the government concepts regarding the support for ethnic Hungarians living in the neighboring countries.

[Kis] The practice according to which the outgoing government provided financial and other support to Hungarian organizations abroad based on party policy considerations has been strongly criticized in recent years. What changes can we expect in the mechanism and principles of this support?

[Tabajdi] First and foremost is the change in the approach. The Hungarians living beyond our borders should not be treated like people who need tutelage and protection. The Hungarians and their ventures in the neighboring countries could play a very important role in assisting Hungary to regain a part of its Eastern European markets and to develop intensive economic relations with our neighbors. In other words, the Hungarians beyond our borders do not "only take our money." Beyond emotional factors and national solidarity, the public should regard them as a useful investment.

[Kis] So far, however, the situation is that the minority issue mostly takes funds away, rather than brings funds, and the public is not aware of the amount of money really involved here. What changes are necessary regarding the method of distribution of funds?

[Tabajdi] We need radical changes. The system of distribution should be made clear and non-party affiliated, as well as democratic with the inclusion of the people in question. At present, the situation is different, and I think this is one of the most dangerous areas on which the new government will have to step. The amount of money used, the aims, and the channels of distribution should be revealed as soon as possible.

One thing is certain: The Hungarians beyond our borders have been mostly divided by two issues in the past four years: 1. Who received funds from Hungary. 2. Who appeared in the Hungarian media among the representatives of the given minority. We must develop a new distribution system by the end of this year. This is closely related to the fact that the Illyes Foundation should be transformed into a public foundation, just like the Teleki

Foundation. The relevant people themselves should be involved in the distribution of funds and the Hungarian Government should only supervise the legality of this process.

[Kis] So far, only a very narrow circle of mostly government party [Hungarian Democratic Forum—MDF] people have been involved in this activity.

[Tabajdi] These boards should be made six-party boards and, unlike the practice so far, the parties themselves should nominate the person whom they will delegate to these bodies. In addition, independent experts as well as public life and church officials can be invited onto these boards.

[Kis] Obviously, one can find a certain amount of concern regarding the government change in Budapest precisely among the organizations that represent the largest group of ethnic Hungarian minorities. Through what short-term measures and gestures does the new government intend to reduce these fears?

[Tabajdi] We definitely need direct contacts. On the other hand, in my opinion, they should also have the opportunity to express their views about the new government program, and we will have to find a forum for this.

Labor Affairs Minister-Designate Interviewed

AU0507153094 Budapest MAGYAR NEMZET in Hungarian 2 Jul 94 p 7

[Interview with Labor Affairs Minister-designate Kosa Magda Kovacs by Zsuzsa Varga; place and date not given: "A Chance of an Honest Employment Policy"]

[Excerpts] [passage omitted] [Varga] What do you regard as the most urgent task?

[Kovacs] My most urgent task exceeds the activity in the Labor Ministry building itself. My opinion is that even the best professional activity would be less effective if we worked in isolation. Besides, given the character of this sector, we cannot isolate ourselves, because employment problems originate from the entire economy, and not only from the ministry building or the strict activity area of the Labor Ministry.

[Varga] Experts and trade union officials often blamed the previous leadership of the Labor Affairs Ministry for being satisfied with the "rest-principle"; in other words, for not fighting enough to make people aware of the employment problems; just like the leading principle of privatization, namely to get as much income as possible, instead of figuring out the number of jobs that can be saved efficiently in the course of the change in ownership. Will this trend continue?

[Kovacs] I hope not. All the more so because I am convinced that every ministry should take into consideration the effects of their measures and steps on the overall employment situation. [passage omitted]

[Varga] You are looking into the future with a great desire for work and enthusiasm; however, most people are looking into the future with some fear, because of Hungary's situation and the necessary measures that will effect everyone.

[Kovacs] That is true, but we do not hide the facts. We know, and so do the people, that, in order to extricate the country from the current serious economic situation, we have to make decisions that will seriously affect the population. However, it can and must be clearly explained to the people that the present sacrifices will lead to new jobs and new employment possibilities. This, however, requires a change in the approach too, and this is an often-used term, but I seriously think that there is a need for the parliament to occasionally review the employment tasks and guidelines should emerge at the end of each year for the next year. It is also necessary that unemployment and employment should be issues for the entire nation at long last, and not only the problem of one ministry.

[Varga] All this, however, cannot be carried out overnight. Therefore, let me repeat the question: What will you do first when you step into the Labor Affairs Ministry?

[Kovacs] I think that the best possible preparation of the social-economic agreement, and the revision of some articles in the labor law and employment law are the most urgent tasks to deal with. However, my first action will be to thank the apparatus of the ministry for being in their place in this difficult and transitional period and carrying out a serious and valuable professional activity.

Minister-Designate Comments on Intelligence

AU0507201794 Budapest MAGYAR NEMZET in Hungarian 4 Jul 94 p 7

[Interview with Bela Katona, minister-designate without portfolio in charge of civil intelligence, by Tibor Moldovanyi; place and date not given; "Intelligence—In Defense of Constitutional Order"]

[Excerpts] [passage omitted] [Moldovanyi] According to what concept will you head your office?

[Katona] This does not only depend on me; I will also have to consider the government concepts. For example, an important decision is whether the intelligence service should get involved in the struggle against drug trafficking and organized crime or should it strengthen its antiterrorist branch in view of the terrorist actions of past years.

[Moldovanyi] Has the composition of the intelligence services changed after the change in regime?

[Katona] Two completely new offices have been set up, which are basically more open and cooperative than their predecessors.

[Moldovanyi] Is the III/III Section still functioning?

[Katona] No. This section was completely abolished even before the change in regime. [passage omitted]

[Moldovanyi] Your current budget is 5.6 billion forints. What is so expensive?

[Katona] We have considerable expenses on personnel and technology. The technical level of our intelligence services cannot lag behind that of the organizations against which we are preparing to act. Thus, our equipment needs continuous modernization. From the first analysis, it transpired that our lagging behind is so advance that it almost threatens our activity.

[Moldovanyi] What contacts do you strive for with the national security offices and intelligence services of the neighboring countries?

[Katona] We can successfully cooperate with countries with which we have good diplomatic relations. Our intelligence's system of international contacts has improved considerably in the past four years. The resulting exchange of information improves our efficiency. Naturally, we are in contact with the intelligence services of every major power.

[Moldovanyi] What are your tasks deriving from the war being waged along our southern borders?

[Katona] We must use every legal means to get a clear picture of the war developments and avoid a surprise.

[Moldovanyi] Economic crime could drift into the political sphere, and dealing with this is the task of the National Security Office.

[Katona] The underworld is trying hard to develop contacts with various areas of state and political life and to also assist its spreading with political means. It is primarily the task of the police to combat this, but the National Security Office could also come across such cases, and it follows these developments with attention.

[Moldovanyi] What is the guarantee that your personnel will always works in the spirit of the Constitution and the laws?

[Katona] Since these offices emerged after the III/III affair, they work under very serious legal supervision with a considerable legal apparatus.

[Moldovanyi] Every intelligence service in the world employs secrete methods, such as telephone tapping and opening of letters. When can the National Security Office use these methods?

[Katona] Our office can only use certain methods like telephone tapping with a permit from the Justice Ministry.

[Moldovanyi] Do you keep the extremist organizations under surveillance?

[Katona] Constitutional protection is one of our tasks. Accordingly, we keep under surveillance all those extremist organizations that represent a position incompatible with the stipulations of the Constitution and want to act above the law. [passage omitted]

Coalition Group Outlines Agrarian Policy

94CH0319B Budapest MAGYAR HIRLAP in Hungarian 17 Jun 94 p 11

[Article by Sara Pogany: "Amendments to Existing Laws Can Be Expected"]

[Text] *When the agricultural working group within the coalition talks completed its work, the negotiating parties formulated their objective as the development of an export-oriented agriculture and food-industry branch that provides predictable incomes for producers. There was agreement on the need for a mixed system of farming, under which cooperatives, large farms, family farms of middle peasants, and part-time farmers all enjoyed security of ownership and production.*

In order to defuse the crisis created by the surplus wheat from this year's crop, the first task of the new Ministry of Agriculture will be, respectively, to raise export subsidies by at least 10 to 15 percent, and to disburse immediately to wheatgrowers a part—foreseeably 50 percent—of the guaranteed price. The planned urgent measures include determination of the amounts of the subsidies for autumn sowing and a review of the agricultural marketing regime's quotas and prices. The present practices in the utilization of timberland will be reviewed, and measures will then be adopted in accord with the Constitutional Court's decision and with the future Nature Conservation Law and new Forestry Law. The present system of agricultural subsidies will also change. By and large, the same amount will be available from the state budget for subsidies next year as this year, but it can be distributed more fairly than up to now. Attention will have to be devoted first of all to ensuring that the subsidies actually reach the producers. The central government's land tax will probably be abolished. In cooperation with the Customs and Revenue Police, customs regulations will be amended in the interest of protecting the domestic market. Amending the Law on Cooperatives, the Law on Farmland, and the Agricultural Chambers Law will be of outstanding importance. About the Law on Farmland we have learned that certain easing changes can be expected to be added to the law's prohibiting provisions. The restrictions on the acquisition of farmland by legal entities will probably be eased. The same can be said of the restrictions on the duration and area of land tenure. The restrictions on the acquisition of farmland by foreigners will basically remain in place, but the agricultural committees that the local governments are setting up will be granted authority to determine locally which legal entities—including also possible foreigners—may acquire land. Namely, the amendment to the Law on Farmland will contain only the principle that primarily local residents and persons who earn their living from farming should have access to farmland. A new Compensation Law is not being planned, but a new

legislative bill is being drafted that will apply comprehensively to all types of compensation. With its help, it will be possible to complete the compensation process within a definite time limit. The expected legislative bill will remedy the unconstitutionality that the Constitutional Court established earlier in conjunction with compensation-note warrants. In other words, the earlier law that resulted in depriving cooperatives of additional land in the form of compensation-note warrants will be amended, and the approximately 1.5 billion forints freed in this manner will be distributed among cooperatives as subsidies. That, of course, will require amending the Law on Agricultural Funds. Pursuant to the [coalition] agreement, the network of village agronomists will be transferred to the agricultural chambers. The budgetary subsidies provided for this purpose earlier will not be withdrawn; instead, they will be converted into interest-earning loans.

It will be up to the agricultural chambers to decide with which village agronomists they wish to conclude contracts. After all, suitable financing must also be ensured to match the increased authority with which the agricultural chambers have been vested.

Reemergence of MSZMP Politicians Viewed

94CH0318D Budapest NEPSZABADSAG in Hungarian 10 Jun 94 p 3

[Article by Gabor Miklos: "Let Us Speak Clearly"]

[Text] During the past six to nine months we have been hearing almost daily that the victory of the Socialists would mean the return to public life of the prominent personalities of the 1980's who have been lying low up to now. The exhorters presumably did not have in mind those who have been publicly active also in the 1990-94 period. They were referring to those one-time national and local political personalities who, having taken early retirement, found shelter in consultancies organized as limited liability companies. On their part, Socialist politicians have been saying, with a large measure of self-confidence, that these former leaders had not the slightest intention of engaging in politics again.

Well, the Socialist politicians have been mistaken. Janos Berecz began to make himself heard in yesterday's issue of MAGYAR HIRLAP. He holds definite views about the past, present and future. The former secretary to the MSZMP [Hungarian Socialist Workers Party] Central Committee and member of its Politburo writes this about the period in which he played a leading role: "Thus the so-called socialist system collapsed because its continuation had become impossible." Was it not he who called that system socialist? Then he introduces himself as an important participant in dismantling that system. At the same time, in conjunction with the round-table agreement, he manages to lash out against his one-time competitor, Imre Pozsgay, about whom he writes: "That is why the 'leftist' author and signatory of the agreement was forced against the wall soon after its signing, and why he has now disappeared for good."

While urging the Free Democrats to join the coalition, Berecz sends them this message: "But, I venture to say, it would be difficult to imagine that the liberal forces, with their know-it-all superiority, could ever win an absolute majority to form a government in Hungary." The former party leader in charge of ideology, who had made the rounds of several political groups after 1989, is now urging national unity and reconciliation. Meanwhile he defends the Socialists in a way that produces the Dirty Fred effect. (Woe to anyone who distinguishes me with his affection.)

He describes how wrong it is to hate and tells us that we must come to terms with ourselves. Then he concludes his writing with the following words: "But first let us all learn the same language, let us learn to speak clearly. Let us have confidence in our developing democracy, in the observation of legality. And let us join forces for Hungary's future." Here one could analyze the text and trace how this red tail in national colors attached itself to the end of the speeches and writings of alternating politicians.

Clichis are not yet a crime. In itself, Berecz's emergence as a political writer would not be news. But what he writes indicates that there are indeed people who believe their time has come again with the political changes.

Yet I would not include among the Bourbons this retired self-appointed historian. For the Bourbons did not learn anything and did not forget anything. Only the first proposition applies to Berecz.

MSZP's Gal Reassures 1956 Veterans

94CH0322A Budapest UJ MAGYARORSZAG in Hungarian 18 Jun 94 p 1, 4

[Article by Janos Papp: "There Will Be No Reversion"]

[Text] Yesterday Zoltan Gal, acting parliamentary leader of the MSZP [Hungarian Socialist Party], received the representatives of the 1956 organizations, in the Office Building for Members of Parliament. After the MSZP's victory at the polls, he felt obliged to express the party's view regarding 1956, because statements had been made during the election campaign that were causing concern, he said. Erzsebet Nagy and Gyula Horn had jointly laid wreaths at the No. 301 cemetery plot on Thursday. Gal interpreted this as the first sign of reconciliation, adding that the construction of more secure and tranquil Hungary was in everyone's interest.

"There will be no reversion," the Socialist politician declared. "Anyone threatening reversion is a fool."

He confirmed before his audience that the Socialists and the government would respect the rule of law and democracy. They would continue to provide compensation, and to apply the good measures introduced during the

past four years. He declared that views regarding 1956 would have to be treated in future in a way such that would prevent any political power from exploiting them. On behalf of Gyula Horn, the party's chairman, he explained that the new government would do everything possible to alleviate the social-welfare problems of the 1956 revolution's veterans.

On behalf of the World Federation of Certified Freedom Fighters, Maria Wittner declared that the federation welcomed the Socialists' intentions, if they were sincere. She asked, When will Ilona Toth be rehabilitated? She also brought up the difficult social-welfare situation of the 1956 revolution's veterans. She accepted with satisfaction Zoltan Gal's assurances that there was no question of evicting the veterans living in Matyasfold. Several people had been spreading that rumor after the elections.

Representing the Justice Society, Karoly Jenei demanded a declaration of intent from the MSZP about its views regarding 1956. Jozsef Bocskay and Jozsef Ujvari did not wish to join the daily political skirmishing and would be loyal to the government; but they objected to the fact that old veterans were having a hard time in making ends meet. According to Otto Fresch, deputy chairman of the 1956 Alliance, reconciliation has partially taken place with the laying of wreaths by Erzsebet Nagy and Gyula Horn. But the 1956 Alliance would have expected the party chairman to publicly apologize for 1956, in the spirit of reconciliation and forgiveness.

Imre Kiss, chairman of the 1956 Alliance's Budapest chapter, likewise stressed the intention to reach a reconciliation, and the desirability of having the new government declare its views regarding 1956.

The 1956 veterans' only wish is to be allowed to live as human beings, Maria Wittner declared, putting on record the view held by many of the participants. She urged the 1956 organizations to forge their unity, in place of their rivalry and enmity.

Miklos Garamszegi and Sandor Kopacsy also spoke out in favor of national reconciliation. Kopacsy regarded as an apology the fact that Gyula Horn had bowed his head while laying his wreath.

Zoltan Gal welcomed the dialog between the MSZP and the 1956 organizations, and felt that the dialog should continue. The party realized that the 1956 veterans were suspicious, but their suspicion could be dispelled only by deeds and not words, he said. He promised that the government would devise specific ways of aiding those in need of welfare assistance.

Gal suggested that it would make the dialog between the MSZP and the 1956 organizations easier if the latter could come to a mutual understanding among themselves. As for the MSZP's open views regarding 1956, the government would put in place through its own means the conditions under which a memorial commemorating the victims of 1956, and a statue of Imre Nagy could be erected. At the same time Gal espoused making sure that terror sentences of the kind meted out in 1957 and 1958 could never again be passed. He urged his audience to maintain their political views. It was not necessary for them to adapt to the always renewing political power structure. They should acknowledge the Socialists' good intentions, and should oversee from time to time the realization of the Socialists' intentions and actions.

Szekeres on Ties With Slovakia's Hungarians

94CH0320A Bratislava UJ SZO in Hungarian 10 Jun 94 p 3

[Unattributed interview with Imre Szekeres, deputy chairman of the Hungarian Socialist Party; place and date not given]

[Text] We interviewed Imre Szekeres, deputy chairman of the Hungarian Socialist Party, and asked him what was discussed at his meeting in Pozsony [Bratislava] on Wednesday with the chairmen of the Hungarian political parties in Slovakia, and with the chairman of Csemadok [Cultural and Social Organization of Hungarians in Slovakia]?

[Szekeres] I explained that the new Hungarian Government would fully respect the local Hungarian political parties' independence and autonomy. The Hungarian Government regarded all of them as equally close, and it did not wish to establish a special relationship with any one of them in particular, on a political basis. I also said that, in our opinion, it was their responsibility and right to decide any question pertaining to Slovakia's domestic politics, including the Law on Placename Signs. After all, they were the ones who would bear the consequences of adopting standpoints on such issues. Once and for all, we must kick the habit of influencing such decisions in any way from Hungary. Specifically we also discussed what assistance the new government would be able to provide for the cultural and economic life of the Hungarian minority living here [in Slovakia]. Naturally, we also talked about what foreign policy the new government would be pursuing.

[UJ SZO] What forms of assistance were discussed in particular?

[Szekeres] We agreed that the system of scholarships ought to be reviewed, and perhaps the financial conditions needed to establish a students' dormitory. The conditions also must be discussed for supporting the cultural foundations operating here, the press, and other very important causes. All this, of course, will have to be debated after the new government takes office. Now I merely wished to clarify our intentions, and to create a climate in which we will be able to cooperate fruitfully.

[UJ SZO] It is common knowledge that, before the elections, Miklos Duray did not have a very high opinion of your party. On this occasion, how well were you two able to find the right tone for mutual discussions?

[Szekeres] We sat next to each other during lunch and talked very properly, in a courteous manner. In my opinion, the right attitude for the Hungarian Socialist Party is not to dwell on the past, including the recent past; and to regard everything that happened during the election campaign as undesirable, but by no means as something that could provide the basis for influencing our relations with the Hungarian political parties in Slovakia, with Coexistence or its chairman.

[UJ SZO] Was any agreement reached Wednesday on specific further cooperation?

[Szekeres] Naturally, it was brought up that, after the new government's formation, a series of consultations would have to begin to clarify the further forms, particulars and tasks of cooperation.

Efforts To Halt Money Laundering Described

94CH0316A Budapest MAGYARORSZAG in Hungarian 17 Jun 94 pp 4-5

[Interview with Dr. Eleonora Fejes, department head of the Hungarian National Bank, by T. Janos Turistvandy; place and date not given: "The Natural History of Money Laundering; Rules Exist, but Having Rules Is Not Enough"]

[Text] *They earn it, they spend it, they obtain it, and they launder it. Money, that is, but it is true that the latter—not at all simple—process is now punished severely, even in Hungary.*

We met with Hungarian National Bank [MNB] group leader Dr. Eleonora Fejes by no coincidence, because money laundering is the topic of her recently published workshop study.

[Fejes] "The purpose of money laundering is to transform, transfer, or hand over concealed money that has its origin in a criminal act, thus making it impossible to trace the value," we are told competently by the young researcher.

[Turistvandy] How is money laundered in practice?

[Fejes] We recognize three basic steps. First is the placement of funds, when cash obtained as a result of a criminal act is handed over to or placed with an intermediary who begins the process of "laundering." At this point false documentation is prepared for the money, money is exchanged illegally, large volumes of securities, precious stones, gold, works of art, cars, real estate, and airplanes are bought, or the money is carried abroad in a suitcase.... The second transaction: While the money is diversified, the movement of money is concealed by a system of complex financial transactions. The third step is integration, in which the laundered income is returned to the economy as if it had been earned as a result of a legitimate business activity. One cannot determine the origin of money after it has been taken around and transferred so many times, even though generally the money finds its way back to the place where the laundering originally started. There the money is invested into legitimate businesses. Those involved in money laundering prefer businesses that operate on a cash basis, such as restaurants and car washes, where, after a while, it becomes impossible to distinguish between the various sources from where the money comes from. Incidentally, the struggle against money laundering began in the United States. The reasoning there is that it is not enough to catch drug dealers, it is also necessary to remove the profits that result from that activity—money about to acquire legitimacy. Although the related work is time consuming, it produces enough dollars to fill a room, if successful.... As a result of signing the EC agreement on association, Hungary, too, has such an obligation, and by adopting the Vienna Convention—aiming for the prevention of drug trade and money laundering—Hungary, too, must implement certain measures.

[Turistvandy] Is this why we had to have new legal provisions dealing with this subject?

[Fejes] Yes. For the first time last fall, the Ministry of Finance proposed legislation for the control of money laundering. As initially viewed, the law on financial institutions would have been amended to include a section on money laundering. The ministry abandoned this concept soon, claiming that the types of organizations that might become involved in money laundering must not be limited to financial institutions. Thus, last spring, the National Assembly created Law No. 24 of 1994 to prevent and to inhibit money laundering. This law is also consistent with provisions of the Civil and Criminal Codes of Law.

[Turistvandy] Aside from banks, what other organizations are covered by this law?

[Fejes] Others who deal with money or are involved in activities involving financial institutions, many other, small and large businesses, ranging from securities dealers to insurance companies, and from managers of investments funds all the way to organizers of gambling operations.

[Turistvandy] About the book: Why now, and why by you?

[Fejes] MNB officials organized and took part in international conferences and meetings of professionals before, to hear presentations on this subject. In other words, this subject matter ended up being assigned to the MNB, and we were, or rather I was, assigned to write an informational study that deals with every aspect of this matter, and one that fits into the series of publications released by the MNB. Other than what has already been done, the MNB has no further function in this regard, we do not deal with the practical implications of money laundering, because that is primarily the function of the Banking Supervision and of the ORFK [National Police Command].

[Turistvandy] How does a proceeding like this start? Who is supposed to notice such delicate matters at banks?

[Fejes] Pursuant to the law, the two organizations I just mentioned are supposed to assign an appropriate number of persons to satisfy the reporting requirements. The organizations affected have both a registration and a reporting function. If, for some reason, a transaction becomes suspect to a teller, it must be reported to the person maintaining liaison with the ORFK. Irrespective of this, a client may deposit or transfer funds, or exchange money, but the transaction must be reported. The entire system will be in place months from now, because no such system had existed before in Hungary, and no one has experience in this regard.

[Turistvandy] Accordingly, is is still possible to launder money through the Hungarian banking system as of today?

[Fejes] In the final analysis, money can be laundered through every banking system.... Even countries far advanced in this regard acknowledge the fact that their success rate in detecting money laundering is about 3 percent, because organized criminals are very clever and innovative, and are able to pay for the services of the best professionals. We could not have produced such statistics, because, as I said, money laundering was not a crime before, it was not dealt with by the Criminal Code of Laws....

[Turistvandy] The origin of money that produces profits makes no difference to banks. In other words: Are financial institutions motivated to detect such transactions and to become suspicious?

[Fejes] Flow of money is the basic operation of financial institutions, but quick transfers of this character do not produce much profit, and do not enhance the reputation of banks. This is so because banks are being watched from both Hungary and abroad. The EC and other international organizations involved exert great pressure, and cases like this could lower the reputation of Hungary, and could greatly reduce confidence in Hungary. But the phenomenon of money laundering does not manifest itself as forcefully in Hungary as it does in countries involved in drug trade.... The duty to detect such transactions must be made part of the internal rules of financial institutions....

[Turistvandy] And what if the criminals themselves establish a bank?

[Fejes] They could do so, but this would be rather difficult in Hungary. The so-called tax haven countries, the Cayman Islands, Panama, the Jersey Islands and the Bahamas are more suitable for this purpose.

[Turistvandy] What can we expect to happen in our banking system as a result of these regulations?

[Fejes] Taking note of this matter, dealing with this threat, and having a law already means progress. Two or three years will pass before all this becomes practice. And yet, we expect this to be a deterrent in the long run, because money laundering always takes place in countries where the quality of rules and regulations is low, where bank secrecy rules are strictly enforced, and where there are no restrictions regarding foreign exchange.

Walesa Gives Speech at Dinner for Clinton

LD0607211794 Warsaw PAP in Polish 2037 GMT 6 Jul 94

[Excerpts] Mr. President, Mrs. Clinton, Ladies and Gentlemen: This is my fourth meeting with you, Mr. President. This time we are in Warsaw. It is your first visit to Poland. It is not necessary to remind you that it was from our country 13 years ago that we started out on the road to a new Europe. [passage omitted]

I often feel, however, that we have stopped halfway, that we lack the vision of a future united continent, that the West, which supported us in our strivings for democratic freedoms, today finds no unequivocal answer to the question about the shape of our now common present and future Europe. [passage omitted]

We Poles see clearly the possibility of a new approach. I believe that there is an opportunity to build a united states of Europe, based on equal rules for all and jointly professed values, on unity, with respect for national individuality.

I have been saying this for a long time. Some politicians certainly think I repeat myself, and they are right. But it is worth repeating oneself in the cause of our future, common European home. [passage omitted]

Mr. President, you belong to a new generation, which understands the need to look to the future, which wants changes, because he who marks time goes backwards. You understand this well and are not afraid of the immense tasks. [passage omitted]

I recall your words: "America's security depends on the security of the states lying between West Europe and Russia." These words are profoundly true. That is why we have taken on some of the tasks linked to this. We have no enemies today. We do not have to flee or wall ourselves off from anybody. There is a need today to make a jump. The slowness of the transformations may mean that they turn out to be illusory. Central Europe must not be a "gray zone" and a security vacuum, an area of the unknown, where anything can happen. That can be the cause of the destabilization of the whole of Europe. I would like the region of democracy and certainty to increase considerably during your Presidency, and not only on paper. Poles know especially well from past and present experience what paper guarantees are worth.

I am grateful, Mr. President, that you have today brought to discuss with us interesting proposals concerning the solution of our economic and social problems. We need economic cooperation by the Western countries in partnership with the states of our region. The lack of this cooperation could bring the reconstruction of old economic links and, as a consequence, the re-creation of old influences and political dependencies.

But we can take our economic success further—to the east. Increasing Poland's possibilities, we will more effectively develop cooperation with our eastern neighbors. Political stability can only be built in our region on the basis of economic stability.

Mr. President, today we welcome to Poland the leader of the United States, the leader of a great power and a guarantor of world peace and equilibrium. Let us build a new European order together! Let us extend the region of certainty and equilibrium! I believe we do not lack the imagination and that we will achieve the goals we have set ourselves and that, after the pulling down of walls, we will build bridges. [passage omitted]

Commentator on Lack of Clinton Conference

WS0607130494 Warsaw RZECZPOSPOLITA in Polish 6 Jul 94 p 25

[Commentary by Jan Nowak-Jezioranski: "Two Questions for Clinton"]

[Text] I hear that there will be no news conference with Bill Clinton in Warsaw. It is a pity that the media will not be able to ask questions of the President and hear the answers Poland is expecting. I personally would ask him two questions.

The Monday issue of THE WASHINGTON POST, in an article by Rowland Evans, quotes a statement by Boris Yeltsin addressed to the graduates of a military academy on 28 June of this year: "No one and nothing will free Russia from the moral and political responsibility for the fate of the states that have been developing links to the Russian state for centuries." I would ask Clinton the following question: "Poland has regained the right to decide its future and paid a very high price for that. Is the President ready to oppose the publicly declared striving of Yeltsin to see Russia deciding the fate of its neighbors, which not long ago were still under Russian dominance?"

The second question: President Clinton declared in Prague that, for Poland and other states of the Visegrad Group, "Partnership for Peace" is the first step on the road to NATO. Does the President still maintain this distinction of Poland, the Czech Republic, Slovakia, and Hungary? Or should all 21 states, which, along with Russia, would join the "Partnership," be treated in the same manner? Either all of them are incorporated into NATO, or none of them. It is an important question because it is unthinkable to extend NATO to the Asian states.

Regardless of whether or not Poland hears a satisfactory answer to these fundamental questions, the very fact that the President has decided to visit Poland and the Baltic states is of symbolic significance. Clinton will be in charge of U.S. policy and will exert powerful influence on the course of world events, at least for another two years. It is in the interest of Poland that the President leave our country in a mood of sympathy for Poland. The inhabitants of Warsaw will have an opportunity to meet with him on Wednesday near the monument to the

Little Insurrectionist in the Old Town. Clinton is supposed to deliver a speech to inhabitants of our capital there.

Clinton Seeks Not To 'Offend' Yeltsin

WS0707100194 Warsaw GAZETA WYBORCZA in Polish 7 Jul 94 p 2

[Article by Bartosz Weglarczyk and Edward Krzemien: "Clinton's 26 Hours"]

[Text] *President Clinton's arrival in Warsaw yesterday was a television event first and foremost. The cameras followed every step and move by both presidents.*

For several hundred reporters, this was primarily about long periods of waiting for a few minutes to take pictures. Only once were they allowed to ask questions, while, for the most part, they listened to statements and communiques.

Everything for Television

In accordance with previous expectations, Clinton did not come here to discuss things but to improve his ratings back home. The efforts of his team, geared toward making sure that nothing spoils the joyous march through Europe, were not accidental. Public opinion polls (commissioned by CNN and USA TODAY) demonstrate that only 34 percent of the American people are happy with their president's foreign policy.

U.S. reporters stressed yesterday that Clinton is trying to evade at all cost any topic that might possibly offend Boris Yeltsin. That is why, among other things, the issue of extending NATO was not discussed during yesterday's conversations with Walesa.

After a half-hour meeting with Walesa, Clinton praised Poland as the leader of "Partnership for Peace" in short statements to the press.

When asked about the Polish people's fears of Russia, Clinton again made the reassurance that things are better than they were a few months ago. Russia joined the "Partnership," which means it accepts the inviolability of the borders of its neighbors, among other things, as well as joint exercises in Poland and the future expansion of NATO. At the same time, Clinton stressed, Russia keeps reducing its budget deficit, is reducing inflation, and is privatizing its economy.

At that point, Walesa joined in: "Regarding Russia, I have 40 percent fear and 60 percent hope. If the United States continues to secure stability in the region, those ratios may reverse."

The dinner to honor the Clintons, given in the old Round Table hall, was also a television event. Among the dishes served was rabbit in tarragon jelly, pike-perch Polish style, dill cream, roast pork, and cakes. When it comes to drinks, Polonez vodka was served, as well as Chablis wine, vintage 1992, and red Buzet wine, vintage 1986. Champaign (most probably Russian-made) was used during toasts.

Tugs Among Rank and File

Cooperation between the Secret Service and the Government Protection Office [BOR] was not the best yesterday. There were also skirmishes between Polish and U.S. reporters, who were fighting over places in the first row during the presidents' news conference. BOR removed two U.S. photographers by force and took away their accreditation. The remaining Americans and high-ranking White House officials spoke in favor of the expelled reporters. The incident was brought to an end only after an apology was issued by Foreign Ministry officials and Foreign Minister Olechowski himself.

Agenda for Today

This morning, Clinton will go jogging in Lazienki Park. The Americans were eager to have a Polish partner by his side. They invited Prime Minister Pawlak, and even Pawlak's office has suggested that, but last night the prime minister unexpectedly refused the invitation.

Clinton's speech before the Sejm will be the most important event today. In the speech, he is expected to promise Poland financial assistance for combating unemployment and to reform the social security system. He will most probably also announce the establishment of a fund in the range of $425 million for the insurance of investments in the Polish housing industry. Out of that amount, only $25 million will be allocated from the U.S. budget, with the remaining $400 million coming from international financial institutions.

'Limits' of U.S. Influence on European Security

WS0607135594 Warsaw RZECZPOSPOLITA in Polish 6 Jul 94 p 25

[Article by Maria Wagrowska: "The Limits of Potential"]

[Text] It is still a long way until the U.S. role in European security policies is finally defined, primarily because the Washington administration has not managed to stop seeing Russia as a counterbalance for the United States in Europe. Or, perhaps because it does not even want to do so. Whatever the case, the issue of security in Central and East Europe is moved to the background.

For Poland and other countries regarding membership in NATO as their strategic goal, this goal is no closer than it was right after we bid farewell to the communist system.

The acknowledgement of Russia as an influential—be it real or potential—superpower is very convenient for the United States. Progress in Washington—Moscow relations during the Clinton Presidency, as well as two summits with Russian President Boris Yeltsin, prove this suggestion. After all, without putting Russia on the

same level of importance as the United States, nuclear and chemical arms-reduction policies, for which Washington pressed in the form of nonproliferation of weapons of mass destruction, and the curbing of local conflicts throughout the world would be stalled. All issues mentioned above are priorities in U.S. security policies. They are warranted not only by the objective need to reduce arsenals of arms (now excessive due to the lower threat of an attack from the East) and stabilize the situation in various parts of the world, but also by the need for budget cuts (a kind of peace tax that will go to finance social and health-care programs).

The United States traditionally considers NATO and, beginning recently, the Partnership for Peace as the most efficient tools shaping security policy in Europe. Those tools provide it with the possibility of influencing, in a convenient direction, security policies in Central and East European states that regard the United States as NATO's highest instance.

Sure enough, if you follow the bloc's Eastern policies since the beginning of the 1990's—the end of the Cold War—you can see that the United States only once shared the initiative with another NATO partner. This was in October 1991, when [U.S. Secretary of State] Baker and [German Foreign Minister] Genscher, diplomatic chiefs of both countries, came up with a joint initiative to establish the North Atlantic Cooperation Council. But, given the Clinton administration's drive to form the Partnership for Peace, which this time was initiated single-handedly and apparently without prior consultations with the allies, this institution has already lost importance. The Partnership idea kills two birds with one stone. It is accepted by Russia. It represents a program that does not commit NATO countries to admitting new Central and East European states to the bloc. The Partnership attempts to reconcile the Americans' long-term concept of developing relations with Russia with the welcoming hand reached out to the former Warsaw Pact countries seeking NATO membership—a drive that Russia strongly opposes. The Partnership for Peace fails to lead Poland out of the neutral security zone, gives it no sense of safety, and shatters all of the hopes it had for the West, primarily the United States.

CSCE Opportunity

It is not clear whether the U.S.-Russian accord partly applies to the CSCE as well. In any case, the Administration does not reject Russian proposals to strengthen that organization (provided it does not diminish the importance of NATO). U.S. politicians praise the CSCE highly because it allows for a reduction of armed forces and armaments on territory spreading from the Atlantic Ocean to the Urals. It also helps cover this area with confidence—building institutions, making military activities more transparent. Initiated by the Bush administration, the reduction of U.S. Armed Forces in Europe adheres very well to the provisions of the Conventional Forces in Europe Vienna Treaty. The United States is opposed to any revision of this treaty, something for which Russia is pressing. The United States, entertaining the idea of cutting its military presence in Europe to only 75,000 soldiers, can always link such a move to the reduction of Russian conventional forces, especially those stationed on Russia's western border. The CSCE, where all decisions are adopted by unanimous consent, allows the United States to delicately exert influence on everything that happens in Europe, including the nature of CSCE-sponsored peacekeeping missions on the territory of some former Soviet republics.

Leading When Necessary

To sum up, in the bipolar world, the United States has a more cautious and restrained approach than in the past toward its responsibility for European security. It is more inclined to share it with its NATO allies without refusing to cooperate with Russia. That country adheres to the motto Warren Christopher uttered several months after the Clinton administration took office. I do not think, Christopher said, that our ability and determination to play the role of leader depends on our means. I believe that, rather, we should lead where our vital interests are in jeopardy. Necessary means will be found to implement this task. Christopher cited the example of Russia and its president, Boris Yeltsin.

The U.S.'s role as the leader in the sphere of European security is being exposed to even more tests. It is hard to say today whether this country will cope with the progressing independence of West Europe. With its growing economic strength, the European Union strives for more independence in the sphere of security and defense. The process initiated by the Maastricht Treaty and the restoration of the Western European Union may be gaining speed. Over time, it may turn out that the Western European Union as the "European pillar" of NATO and "Eurocorp" as a formation subordinated to NATO are actually stages in the process of Europe's taking responsibility for its own defense.

As a matter of fact, the limits of U.S. potential have already appeared. Washington proved as helpless in the face of the Yugoslav crisis as other states and alliances.

Individual NATO 'Partnership' Program Detailed

WS0607130094 Warsaw GAZETA WYBORCZA in Polish 6 Jul 94 p 8

[Article by Edward Krzemien from Brussels: "A Time for Specifics; Poland Formally Began Cooperation With NATO in 'Partnership for Peace' Yesterday"]

[Text] There were no salutes or fanfare. The skies over Brussels were cloudy yesterday. The government's JAK-40 aircraft with two deputy ministers and several generals on board lost its way at the huge airport and could not find the military terminal for half an hour. The Polish delegation was almost an hour late in arriving at NATO Headquarters. The ambassadors of the 16 NATO countries waited patiently.

NATO Deputy Secretary General Sergio Balancino was the first to speak, followed by [Polish] Deputy Foreign Minister Robert Mroziewicz and Deputy Defense Minister Jerzy Milewski. Everything was over within a half-hour.

That is the way it was yesterday. Three years after the dissolution of the Warsaw Pact, formal military cooperation between Poland and NATO began within the "Partnership for Peace."

The Council of Ambassadors, which was convened especially for the occasion, and representatives of the Polish Government, in accordance with the "16 plus 1" formula, approved an individual program of partnership between Poland and NATO, which is a result of negotiations among experts from both sides.

NATO—For the End of the Century

It was not a straightforward formality but a ceremony. Please appreciate the historic importance of the event, Deputy Foreign Minister Robert Mroziewicz told reporters later. The die has been cast and there is no turning back now. Next year, talks will begin concerning how and when NATO will begin accepting new members.

Deputy Defense Minister Jerzy Milewski added that Poland is counting on full NATO membership before the end of the decade—that is, before the year 2000.

Polish representatives used yesterday's meeting in Brussels to very clearly stress once again that to us that "Partnership" is a way to NATO membership rather than being just an exercise in carrying out peacekeeping operations. In unofficial statements, the Polish experts did not hide their satisfaction over the fact that our individual program is preceded by a political preamble that contains such an unequivocal statement.

Addressing the Council of Ambassadors, Deputy Minister Mroziewicz called upon NATO to reply "clearly and soon" on how and when an extension of NATO to cover new members will take place. Such a reply will clear up and simplify the entire debate on European security, Mroziewicz said.

Jerzy Milewski in turn explained that Poland desires a stabilization of the European political map, which was formed after the collapse of the Soviet Union and after the elimination of the Warsaw Pact. Through an extension of the Euro-Atlantic security area to cover those regions, we want to eliminate the "gray area" of a limited feeling of security in which countries of East and Central Europe have found themselves.

The Russian Brake Pedal

For NATO's part, there was no confirmation of that yesterday. There was not even a shadow of a reply to Polish aspirations and demands in the speech by NATO's deputy secretary general. A day earlier, in an interview with Polish Television, President Clinton had said: "First we will see how 'Partnership for Peace' works, and then we will talk about the future."

Polish sources in Brussels say that this cautious stand taken by NATO is caused by the position of Russia, which the West had a very difficult time trying to persuade to sign "Partnership for Peace" and which continues to take an unfavorable position on plans for accepting Central European countries into NATO.

Poland strongly supports the efforts of "the Sixteen" aimed at finding the best form of dialogue and cooperation with Russia, Mroziewicz told the Council of Ambassadors yesterday. He also stressed, however, that a good and solid Russia-NATO partnership must be accompanied by a gradual extension of the alliance. Cooperation with Russia must be based, among other things, on the principle of respecting the freedom of other countries to look for the kind of security system that best suits them.

The Polish experts did not hide their satisfaction yesterday over the fact that Poland was the first of the 21 countries that have already joined "Partnership" to actually finalize negotiations on a program of individual cooperation.

As NATO Deputy Secretary General Sergio Balancino emphasized, "Partnership" is not a race, but the fact that Poland spoke in favor of a speedy and comprehensive cooperation is a very good sign for the country's future rapport with NATO.

Uniform Control of the Skies

Approximately 60 specific measures, training programs, exercises, and exchanges of information were listed on 32 pages of the document that was approved yesterday.

That is the end of the consultation stage. Effective today, we have a day-to-day partnership and a concrete cooperation of staffs, officers, and military units, Mroziewicz stated. The goal is to make our defense system fully compatible with NATO standards.

A speedy adaptation of the aerial defense system and of airspace controls to NATO standards, as well as an adaptation of command and communications systems, were declared the most important parts of the Polish program. Several dozen experts in those areas will come to Poland this year, and we will also receive the appropriate documentation. Training sessions will take place in Poland, Germany, and the United Kingdom.

As GAZETA WYBORCZA has found out, however, the chances for joint control of airspace or for an antiaircraft defense system throughout the Visegrad Group are very slim. Our equipment approximates what NATO has the most. According to experts, we are capable of technically joining the NATO system within a year. All that is needed is a political decision by NATO. Still, the systems

of the Czech Republic, Slovakia, and Hungary, on the other hand, differ among themselves and they require substantial investments.

Joint Maneuvers

Joint military exercises will be the most spectacular part. For this year, a staff exercise has been planned to take place in Canada, an engineering one in Denmark, four naval exercises in the Baltic Sea, and five peacekeeping operations.

The largest maneuvers will take place at a training field near Zagan between 10 and 17 September, with the participation of 400 troops from 10 countries, from both NATO and among the alliance's partners.

Did you invite the Russians, too? reporters asked in Brussels yesterday. All of NATO's partners have been invited, Jerzy Milewski replied, but he failed to say whether Moscow has responded in positive terms.

According to National Defense Ministry estimates, this year's expenditures borne on "Partnership," including the cost of maintaining a mission at NATO, are not expected to exceed 250 billion zlotys.

No NATO Action Expected During Clinton Visit

WS0707112494 Warsaw ZYCIE WARSZAWY in Polish 7 Jul 94 p 3

[Article by Tomasz Wroblewski from Washington: "Poland-United States, With Russia in the Background; Polish-U.S. Relations Should Be Regarded as Very Good"]

[Text] *Polish-U.S. relations, both political and economic, are excellent. Poland is perceived in Washington as an important part of East and Central Europe. Still, the Clinton administration listens carefully to Russia's views on U.S. plans in that part of the world.*

In both foreign and domestic policy, Bill Clinton's problem is not about formulating clear and catchy political visions; his problem is about implementing them. Bill Clinton will have no problem in assuring applause for himself from the Polish Sejm or in getting several cordial remarks from the Polish press. What Clinton will have problems with is satisfying the hopes he is going to stir up in Warsaw.

Faced with continuous scandals and affairs, the Clinton administration was forced to start applying "the Band-Aid strategy." As THE WASHINGTON TIMES reports, the administration undertakes measures only as a last resort, when further idleness would result in a crisis. It is dragging its feet regarding decisions on Haiti, Bosnia, and Korea, and it will do the same thing regarding Polish membership in NATO.

Polish-U.S. political and economic relations have never been as good as they are today, and, as long as there is no direct danger of relations getting worse, the U.S. Administration will not undertake new initiatives. Clinton and Strobe Talbott, the author of Clinton's foreign policy, will not propose that Poland be accepted into NATO faster (which the U.S. Senate wants). The U.S. Administration is afraid that this could put relations with Russia in jeopardy and could create another "hot spot" quite unnecessarily.

In a statement issued to Polish reporters before leaving for Riga, Bill Clinton made the assurance that the United States "does not accept the division of Europe into areas of influence" while Russia will not determine the range of NATO's relationship with Central European countries. At the same time, Clinton and Talbott promise that the same principle applies to NATO that, for its part, will not widen its area of influence in Central Europe. In a word, behind all the high-pitched rhetoric, there is the same principle: There will be no changes that could alter the status quo and make the Administration involve itself in foreign policy more deeply. Clinton's advisers are outraged at the view that they are acting under Moscow's dictate. Actually, Washington is acting under the dictate of Clinton's immediate problems at home, in line with the strategy of applying a Band-Aid only if there is blood coming out.

In Warsaw, Clinton is facing the difficult task of assuring the Polish people that the United States supports their NATO aspirations. At the same time, he will want to put the minds of the Russians at ease and convince them that the current arrangement of forces will not be interfered with. The first of the suggested maneuvers is to postpone the entire decisionmaking process by a year. Presidential advisers will also try to put greater emphasis on issues of economic cooperation. Several past assistance initiatives will be redefined, and greater emphasis will be put on social problems. It cannot be ruled out that, this way, the administration will succeed in turning the attention of Pawlak's left-wing government away from NATO issues.

A conflict in Washington has been gathering momentum very clearly, between the State Department, on the one hand, and the Senate, joined by a group of presidential advisers (led by Security Council Chief Anthony Lake and Defense Secretary Perry), on the other. The Department of State is convinced that a more speedy inclusion of Poland, the Czech Republic, and Hungary into NATO creates the danger of antagonizing Russia and of leading to a breakdown of the post-Cold War political balance. The Senate, on the other hand, is afraid that adapting foreign policy to Russian "phobias," as Senator Brown put it, creates the danger of strengthening Russian domination in the region.

An amendment by Senators Brown and Simon on military aid to Poland was the first opportunity for a confrontation. A week before Clinton's trip to Poland, the Department of State issued a negative assessment and addressed Senator Simon to either withdraw the amendment or to widen the project to include Russia

and other countries of the former Warsaw Pact. The conflict with the Department of State has not been resolved yet.

Next week, the Senate will debate a draft bill by Senator Brown—the NATO Participation Act [preceding three words in English]. The Senate will be closely watching President Clinton's visit and any kinds of reactions there may be to his Sejm speech. Even the slightest signs of dissatisfaction, or views condemning U.S. foreign policy in the region, will be immediately noted and then used in subsequent debate.

Leaders Speak at Foreign Policy Conference

94EP0069A Warsaw RZECZPOSPOLITA in Polish 7 Jun 94 p 3

[Article by Ryszard Malik: "Let's Not Turn Our Back on the East: Polish Peasant Party Critical of Foreign Policy"]

[Text] "Poland does not want the boundary of Europe to end at the Bug River. We do not want to turn our back on the East"—such was the main drift of the Conference on the Eastern Policy of the Polish Republic. The conference, which began Monday and will last till Tuesday, was organized by the Department of Strategic Surveys, State Institute of International Affairs, Ministry of Foreign Affairs.

"Slawomir Mrozek once commented mordantly that Poland is a country lying east of the West and west of the East. Its location has been the cause of many national tragedies, but it also can be a basis for material and spiritual wealth," said Andrzej Olechowski in his opening address.

"Polish foreign policy must be based on a consensus of the main political forces and the general public," continued Minister Olechowski, and he commented that following the May session of the Sejm, at which he presented the objectives of that policy, such a consensus does exist. However, in the expressed opinion of other conference participants not all is that obvious.

Professor Bronislaw Geremek, speaking in his capacity as the chairman of the Sejm Foreign Affairs Committee, offered many critical comments concerning the public activities of certain representatives of the Polish parliament on the international arena. He acknowledged, however, that while some foolishness can be uttered in the parliament, official institutions should not behave similarly. Prof. Geremek warned, as did Deputy Minister of Defense Jerzy Milewski (the text of his speech was delivered by Department Director Andrzej Kartoszka of the Ministry of Defense), against Russophobia. Milewski appealed for developing an educational program serving to counteract the anti-Russian feelings of the Polish society. Prof. Geremek referred to the need to eliminate the Russian motif from intraparty disputes, as otherwise that would be used in Moscow as an argument against Poland.

Prof. Andrzej Zakrzewski, secretary of state at the Chancellery of the President of the Polish Republic, praised the Ministry of Foreign Affairs for its model cooperation with the Office of the President. Zakrzewski likewise lauded his boss. He said that President Lech Walesa's reputation is much greater abroad than in this country. The legend of the historic leader of Solidarity enhances to his image, and foreign leaders value his opinion.

None of the official guests, who included representatives of the opposition as well, questioned the current Polish eastern policy. The only snag is the issue of the Poles in Kazakhstan. In Prof. Geremek's opinion it is receiving too much publicity in Poland, especially in the Sejm, and is made to sound too hopeful in the absence of specifics. This view was opposed by Leszek Moczulski, leader of the Confederation for an Independent Poland. Minister Olechowski said he viewed the problems of the Poles living in Russia and the former USSR as an important aspect of Poland's Eastern policy, and he complained about the lack of financial resources.

Deputy Janusz Onyszkiewicz, when summing up his address on security problems and Eastern policy, declared that our situation is better than it used to be several years ago. We are nearing membership in NATO and West European Union and we have a chance to become members of the European Union. Our vision of foreign policy is by now known in the West and the East; now it has to be translated into the language of practice.

The last item on the agenda for Monday's meeting was comments by representatives of the political parties. To the surprise of observers, the most critical position on Eastern policy—both the current policy and the one pursued previously by ex-Minister Krzysztof Skubiszewski, was taken by the PSL [Polish Peasant Party], a party belonging to the governing coalition. Deputy Tadeusz Samborski, speaking on behalf of that party, called for a more active economic cooperation and cultural and scientific exchange. He accused the diplomats appointed by Minister Olechowski's predecessors of anti-Russianness.

An alternative concept of the current Eastern policy was offered by KPN leader Leszek Moczulski. He referred to the prewar integration of the Miedzymorze area [between the Black and the Baltic Seas]. Senator Zbigniew Religa (BBWR, or Nonparty Bloc for Supporting the Reforms) likewise disagreed with Minister Olechowski's policy. He spoke of building a European security system in which Poland would be an important stabilizing factor, a bridge between the West and the East.

The SLD (Democratic Left Alliance) favored the current policy of the Ministry of Foreign Affairs more than did its coalition partner, the PSL. Deputy Marek Siwiec, while critical of the stagnation of youth exchange and in general of the stoppage of any cultural cooperation with Russia whatsoever, was not too acerbic. His caution in formulating opinions concerning Minister Olechowski

ensued—as was said offstage—from the nearness of his appointment to the position of deputy minister at the Ministry of Foreign Affairs.

The policy of the Ministry of Foreign Affairs was supported by the leader of the Christian-National Union Wieslaw Chrzanowski as well as by the representative of Fredom Union Piotr Nowina-Konopka and Deputy Piotr Marciniak of Labor Union. The current Eastern policy was also supported by Center Accord. Ludwik Dorn ironically pointed to what he considered a strange fact that the opposition parties were more supportive of the policy of the Ministry of Foreign Affairs than did the parties of the governing coalition.

BBWR: Walesa's Role, Party Platform Viewed

94EP0073A Krakow TYGODNIK POWSZECHNY in Polish No 23, 5 Jun 94 p 3

[Article by Krzysztof Burnetko: "BBWR Crossroads"]

[Text] *The plan arose in 1992, prior to the elections to the parliament. The idea was to make Lech Walesa into a Pilsudski of the 90's, and to create a strong public support base for him. The instrument for this was to be something called the Non-Party Bloc for the Support of Reform (BBWR).*

The reference to the prewar BBWR was not accidental. Just as the famous photo accompanying the interview granted to the weekly WPROST by one of the leading, at that time, advisors to the president and BBWR behind-the-scenes powers, Andrzej Kozakiewicz, was no accident; it showed a politician, certain he would win, sprawled in an armchair, feet up on the desk, with an arrogant expression.

But the idea failed—insteading of taking over the parliament, BBWR was able to bring into it scarcely 16 deputies and two senators. In this situation, the president is playing down his connection with the Bloc more and more. And the activists in the association (because that is the grouping's present status) are wondering that to do next—remain a social movement or become a political party, continue to stake their all on Lech Walesa or create their own leaders, e.g., the known and esteemed heart surgeon, Prof. Zbigniew Religa?

We must cease with the fiction that we are nonideological. I propose that BBWR be transformed into a normal party, cried Professor Religa last week in the Krakow Sukiennice [Old Cloth Hall] to the members of the Bloc assembled at the First All-Poland BBWR Program Conference. According to Religa, 90 percent of BBWR members want it to become a party. The problem is that Lech Walesa, still respected by the BBWR rank-and-file and the electorate, is of another opinion. In a letter sent to the participants of the conference wishing them "fruitful deliberations," he wrote that BBWR has a "mission" to fulfill in putting the country's political, economic and social affairs in order. But he added: "For this mission we need people who are able to perceive the good of the Fatherland from perspectives that are not limited by party interests." Could it be that Lech Walesa nevertheless still wanted to have some kind of nonparty base in reserve?

Walesa or...?

Precisely... Another of BBWR's problems is its relationship with the president. BBWR is not the domain of one person, emphasized Professor Religa frequently in Krakow. He declared that "right now BBWR supports Lech Walesa as a candidate in the next presidential elections." But he immediately stipulated: "But if Walesa does not want to fight for the position of head of state, we will put up our own man. Also, if Lech Walesa runs for election with a program that differs ideologically from ours, naturally we will part company."

Although the invitation to the conference contained the suggestion that the matter of a BBWR candidate for president will be discussed, the leaders of the grouping declined to name any names. Prof. Jerzy Eysymontt, the main, it appears, BBWR strategist, said to me simply. "It is said that BBWR is Walesa's party. But after all, Walesa himself has said many times that that is not true. And it is untrue. Although of course the relation of most of us to the president is generally favorable. But that does not mean that we agree with him on everything...."

In the document "Main Plan for Poland," prepared by Professor Eysymontt, which is supposed to become the basis for the discussion on the grouping's program, he himself wrote the following: "We have overturned communism—what next? In the five years since the memorable victory in the June 1989 elections we have had three 'Solidarity' governments, we have the third parliament. All that we have left is the president."

Uninspiring Differences

According to Professor Religa, BBWR differs from other Polish political groups in at least three respects.

First, the bloc is in favor of a presidential-parliamentary political system (in view of the multiplicity of parties in Poland and the extreme dismemberment of the parliament). The head of state would be elected in general elections and thus would have "a national mandate to exercise authority." The activists mention the need to maintain a balance of power, but they permit a situation in which the president would also be the head of the government.

Second, BBWR "is in favor of the decentralization of authority and giving the territorial self-managements as much power as possible." During the Krakow conference the present coalition was criticized primarily for the tendency to concentrate authority in Warsaw.

Third, it wants to promote the idea of giving property rights to citizens and "partnership between entrepreneurs and employees." That is supposed to calm the situation and help to solve economic problems.

But if the BBWR model of a political system is truly different from the proposals of the other parties, then the others are not original. For example, the Freedom Union is clamoring loudly for self-managements and decentralization. The idea of giving property rights to citizens is voiced by several groups (well, perhaps BBWR is peculiar in that it is sticking with Walesa's well-known concept—again!—100, or rather 300 million per person. Asked about details, Professor Eysymontt says that such a "nonmonetary credit" can still be one of the methods of universal privatization). The idea of "partnership between entrepreneurs and employees" is reminiscent of Jacek Kuron's program of social, economic and political pacts.

Finally, BBWR's foreign policy assumptions are not original: Poland's pro-Western orientation, integration with NATO and the West European Union. But the declaration about the necessity of opening Poland to foreign capital is not clear, because Professor Religa stated that this must take place with consideration to the interests of Polish firms.

Paradoxically, the bloc's activists are aware of this absence of originality. We will produce nothing new here, said Professor Eysymontt in opening the Krakow conference. And the "nonideological status" that enables the "opening-up to other circles" he acknowledged as the bloc's success. Asked about possible allies, he said: "We call ourselves the center-right. Contrary to appearances, that means something. We are surely, then, rejecting leftist solutions. We are saying that the most important values are entrepreunership and ownership, that first we must create and only then can we share. But we are not advocates of extreme liberalism of the UPR (Union for Real Politics) type because we do not ignore the considerations of social justice. We accept the concept of a social market economy because that too has a meaning: that one cannot turn away from the people. Although again: we know that Poland today cannot afford to be a welfare state, on the Scandinavian model. We want very much to have a large group of people in this movement—small and medium-size entrepreneurs—because it is, after all, they who are building this new Poland."

The deliberations were carried out in as many as six problem groups. Everything was discussed, starting from the political system ("a democratic and legal state"), on to foreign policy ("a pro-Western sovereign Poland), ideas, ("freedom of the individual, concern for the family, traditions"), the economy ("entrepreunership and partnership as the basis of an economic system"), and ecology and youth problems ("comprehensive upbringing with a view to the future"). According to Professor Eysymontt the idea was to "establish the principles and then begin to build a detailed program based on those principles."

The conference logo contained the slogan: BBWR—A Bloc To Build a Great Republic. The text of the "Main Plan for Poland," ends with the words: "The contest for Poland continues. It is a contest for the future of us all for today and tomorrow. We want to actively participate in that contest and win." And Professor Religa told a story from his youth, when as an assistant in one of Warsaw's clinics he proposed to his boss that he would perform a heart transplant. You will do this yourself when I die, was the reply. "That is how it will be in BBWR. We will put our program into effect when we take over authority," was Religa's comment.

Whatever happens, the final decision as to status, program and personalities will be made at the association's general meeting, planned for late September. Then we shall see what unites BBWR's well-wishers. Will it continue to be Lech Walesa?

* * *

At least twice a week I operate in my clinic, replied Professor Religa to the question whether he regrets giving up his profession as doctor in favor of practicing politics in BBWR.

Sejm Deputy Rokita on Parties, Elections

94EP0070A Warsaw GAZETA WYBORCZA in Polish 8 Jun 94 p 4

[Interview with Jan Maria Rokita, Freedom Union Sejm deputy, by Jolanta Koral and Agata Nowakowska; place and date not given: "Their Fruits Are Rotten"]

[Text] [GAZETA WYBORCZA] What are the main differences in the approach to a reform of public administration between Freedom Union and the PSL [Polish Peasant Party]?

[Rokita] Freedom Union desires to restrict the powers of politicians to influence the administration. The influence of politicians on how our taxes are to be spent should be limited to voting the state budget. As for local expenditures, let local governments decide on them.

It is difficult to define the position of PSL activists on the reform. The point rather is what the "URM group" (URM is Office of the Council of Ministers) wants. It pursues a policy of staffing high government offices with its cronies and holding in its fist most of the taxpayers' money, which it then distributes on a "pork barrel" basis.

[GAZETA WYBORCZA] What is the attitude of the ZSL [Democratic Left Alliance, the PSL's partner in the governing coalition]? Closer to that of the PSL or to that of Freedom Union?

[Rokita] The Alliance plays, to put it in the old style, the leading role in a government which put a halt to the reforms. Parties are "known by their fruits," and the Alliance's fruits are rotten.

That is why I am not enthused by the pro-reform declarations of the SLD, the more so considering that the trade unions accounting for most of its electorate are opposed to increasing the powers of local governments.

[GAZETA WYBORCZA] What is feared by, e.g. the ZNP [Polish Teachers Union]?

[Rokita] The ZNP wields clout among teachers so long as its activists can persuade them of its ability to allocate more state-budget funds for salaries, an ability that is, of course, nonexistent.

Should local governments take over the administration of all schools, school administrators will merely exercise instructional supervision and it will be the local governments that will decide on teachers' salaries and jobs. At present the ZNP the big cheese-, but once the reform is carried out it will shrink in significance. That is why the ZNP will attempt to block the administrative reform. 33

[GAZETA WYBORCZA] Do the OPZZ [leftist National Trade-Union Alliance] and NSZZ Solidarity also fear the reform?

[Rokita] There exists a natural conflict between the power of trade unions and the power of local governments. They are irreconcilable.

Poland is organized into trade-union corporations and worker self-governments, and the Polish public generally displays a claimant attitude [that is, it expects far-reaching social protection]: Each subsector fights the others for the spoils. In contrast, the thinking of local governments is different; it is guided by the interests of the entire community.

[GAZETA WYBORCZA] Freedom Union wants the Sejm to start discussing establishing new administrative units, powiats [counties], on 9 June, while the governing coalition wants to postpone it until 23 June. You are taking the risk that the SLD will not support you.

[Rokita] I admit that it is not a felicitous date, with only 10 days remaining until the local elections. But we feel vexed by the behavior of the SLD.

[GAZETA WYBORCZA] Just because you feel vexed you want to risk losing on this issue before the elections? But you yourself keep saying ad nauseam that a politician must be effective.

[Rokita] The SLD has not been keeping its promise to speed up the debate on the powiats. Speaker Oleksy personally had a hand in postponing the issue.

We do not believe that the PSL and the SLD will be willing to discuss the powiats on 23 June. Prior to the elections obfuscating comments are made to camouflage the differences within the governing coalition.

But it is the spoilsport right of the opposition to bring to light these differences; the public has the right to know what the PSL and the SLD really want.

On paper the SdRP [Social Democrats of the Republic of Poland] supports the reform, while the SLD pursues a policy that is both absurd and conflicting with these declarations. It is pulling wool over the public's eyes, and this is truly irritating, especially before the elections. An end must be put to it and the SLD must be made to answer yes or no.

[GAZETA WYBORCZA] The SLD claims that you disdain cooperating with them on the powiat issue.

[Rokita] That is not the point. Our cooperation with the PSL and the SLD is so far-reaching that they are adopting our proposals and, as a result, the Sejm passes them. That is how, for example, the law on public orders was passed. 353 Everybody knows that these concepts were developed by Solidarity taskforces. Well, let the PSL and the SLD appropriate them as their own so long as the reform progresses. If it turns out there is no such thing as a Rokita program and instead from the very outset there was a Strak program [Michal Strak is a PSL leader], then I personally will walk across Poland and tell everybody that Minister Strak has been a leading reformer ever since 1989.

[GAZETA WYBORCZA] How will the powiat issue be resolved?

[Rokita] Ask the governing coalition. We can only work out the details and pressure the government and the coalition.

[GAZETA WYBORCZA] For the time being you are not accomplishing much.

[Rokita] The question is whether reforms can be implemented in the presence of an anti-reform governing majority. They may be, but not in the Sejm, in which we are represented by only 74 deputies [out of some 540].

The governing coalition adopts our proposals as its own only when it perceives that there is no other way out—because it is incapable of offering an alternative—and that the reform is in its own interest. This happened, e.g., in the case of public orders.

[GAZETA WYBORCZA] In the interview he gave the weekly WPROST Minister Strak interpreted the reform to mean local governments in the countryside and housing cooperatives in the cities. He claimed he knew what he was talking about, because he used to be a member of the governing board of a housing cooperative and of the council of a settlement.

[Rokita] Either Minister Strak is a Jacobin or he has not really considered the matter in depth. According to Jacobins, a country is governed by means of an omnipotent center and block revolutionary committees. If Strak seriously advocates such a concept of a system of society, this means that he harkens back to the radical leftist tradition. A fatal tradition which would within a short period of time wreak havoc on governance of the state.

But Strak's utterances may also be due to a misunderstanding, because I will not say that they stem from incompetence. It seems to him that the society can be organized as easily as housing cooperatives. But there

can be no democratic rule when power is centralized. The Polish Republic does not end with the URM.

[GAZETA WYBORCZA] Freedom Union supporters will have great trouble in decoding the names under which the Union's candidates are running for election.

[Rokita] Local governments tempt politicians who would like to practice partisan politics in that domain as well. Hence the difference in our views: Minister Strak wants to use local governments in order to gain more supporters for the PSL, so that his policy is bound to result in a 313 conflict between local governments and national government while I and Michal Kulesa want to make local governments a partner of national government.

That is why our candidates run under thousands of names, with councilmen, businessmen, and community activists, while the PSL's candidates electioneer as heads of regional branches of the PSL and under the party's plaque.

Our tactic is going to win in the cities, while the PSL is certain to win in the countryside.

[GAZETA WYBORCZA] Prior to the coming elections the SLD included abortion as a campaign plank, while the PSL supported a referendum on reprivatization got Pawlak to attend voters' meetings. What about Freedom Union?

[Rokita] You are overestimating the electoral hoopla about pregnancy and the Three-Year Plan. I do not believe that the debate on abortion has won more potential votes for the SLD in the elections to local governments. People are not that naive.

[GAZETA WYBORCZA] What then counts in these elections?

[Rokita] The reputation of the current local councils. Where it is good, the incumbent councilmen will win. But their accomplishments are one thing and their reputation another. Krakow has been well-governed, although its municipal council is bickering and detested in the city.

Besides, elections can also be decided fortuitously: In Krakow there are two score or so electoral committees bearing the name Krakow in their appellations—Your Krakow, Friends of Krakow, Wives of Krakow, Beloved Krakow, etc. A kingdom for whoever can distinguish among all these Krakow committees.

The PSL and the SLD, which are campaigning under their own names, will in this respect have it easier. But it is certain that their electoral success of 19 September will not be repeated, because opinion polls show that political parties are not likely to be winners in local elections.

[GAZETA WYBORCZA] Does not this apply also to Freedom Union?

[Rokita] It does. But the number of candidates who are our sympathizers can hardly be counted, since they are standing for elections from various committees, especially in the smaller communities.

A measure of our success will be the electoral results for the coalitions we have formed in the larger cities. I would be suprised if we were not to win more than 20 percent of votes, and here and there even many more, in these cities.

[GAZETA WYBORCZA] You are competing with the SLD for votes. Your candidates are similar, too.

[Rokita] No, not quite. The SLD's electoral lists are approved by the apparatchiks of the PZPR [former communist party]. That is much more noticeable now than it had been during the 19 September elections. Well, candidates for councilmen are better-known to rural and small-town dwellers, whereas candidates for the Sejm had been little known to the public.

This is to the disadvantage of the "comrades Szmaciaks." In the parliamentary elections, by way of protest, it had been easy to vote for "comrades Szmaciaks" without knowing who they really were. This time they will be more easily identified.

[GAZETA WYBORCZA] Has Freedom Union lately broadened its potential electorate?

[Rokita] Should it turn out that the merger of the parties into Freedom Union is not broadening our electorate, that would mean that we made a mistake. But I feel certain that this merger is bound to produce better results.

EU Accuses Poland of Fertilizer Dumping

94EP0068A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 4-5 Jun 94 p 7

[Article by Jedrzej Bielecki: "Polish Enterprises Accused of Dumping Low-Priced Nitrogenous Fertilizers"]

[Text] The abolition in March 1992 of duties on exports of 55 percent of Polish manufactured goods to the European Union has been accompanied, in the opinion of Polish foreign trade centers, by an increase in the number of anti-dumping proceedings whose effect, which is more difficult to ascertain, may prove injurious to Poland's balance of foreign trade. According to the comments of Miroslawa Wojczakowska and Cezary Gawrys of CIECH (Import-Export Center for Chemicals and Chemical Equipment), voiced at a meeting of the Polish Economic Society, a particularly hurtful precedent may be set by the anti-dumping proceedings initiated by the European Commission on 5 May of this year against Polish producers of the nitrogenous fertilizer UAN, a fairly new product in Poland.

In the chemical industry the Polish trade deficit for 1993 was $800 million. It would have been much higher had not it been for the rapidly rising exports of nitrogenous

fertilizers to the EU since 1989; this concerns fertilizers produced on the basis of natural gas imported from Russia, including a new variety called UAN. Between 1989 and 1992 the share of Polish-produced UAN in the aggregate consumption of that fertilizer in the European Union increased to 29 from 3 percent.

That success of Polish exporters has, however, met with a violent reaction from EU producers (belonging to the FMA association), who accused Poland and Bulgaria of dumping the fertilizer. In their opinion, the influx of UAN from the east caused average procurement prices to decline by 10 percent and forced EU enterprises to slash their output in half, or even, in the case of one plant in France, to shut down completely (actually that plant was bought by Norskhydro Company as part of its strategy for beating the competition), whereas during the same period UAN output in Poland increased by 400 percent.

Polish enterprises reject those arguments. In the opinion of a representative of one of them, CIECH, the accusation contains a glaring 373 errors; it claims, among other things, that UAN is being produced by the Pulawy and Wloclawek nitrogenous fertilizer plants, whereas actually it is being produced by another Pulawy plant as well as by a plant in Kedzierzyn. The figures presented by the FMA also conflicted with those of the Eurostat, according to which UAN imports to the European Union during the years 1990-1992 increased by only 3 percent and reached 1.1. million metric tons compared with an overall consumption of 3.1 million tons by the EU. To be sure, during that period Poland succeeded in markedly expanding its market share, but that was chiefly due to the withdrawal of American producers, who focused on their domestic market. Besides, such big concerns a Norskhydro or BASF also availed themselves of that Russian gas, outraging their competitors who are dependent on other suppliers.

Despite the accusations the European Commission deemed the FMA's arguments to be warranted and initiated anti-dumping proceedings against Polish producers. A report on the initiation of the proceedings was published in the Official Journal of the European Union, with Polish producers learning about it through the mediation of the Polish commercial attache in Brussels, the Ministry for Foreign Economic Relations, and the Institute of Business Cycles and Prices. In such cases the speed with which information is conveyed matters greatly, because under EU law the summoned party is obligated to present within 30 days a corpus of accurate evidence which takes some time to compile. For that reason, and also in order to anticipate eventual accusations, big companies maintain in Brussels experts providing them on an ongoing basis with needed information.

The next stage in the proceedings was the dispatching of a team of EU auditors (chiefly financial experts) to Poland with the object of investigating the actual production cost of UAN in Poland. Inasmuch as Poland was included by GATT among "countries with a market economy," production cost, sales cost, and "reasonable profit margin" are computed according to actual prices in Poland. In the case of the UAN the auditors did not adhere to this criterion, on the grounds that Poland is "a country in a transition period," which in practice means that some prices (especially those of the natural gas imported from Russia, which accounts for 60 percent of the production cost of UAN) were reckoned in terms of world prices. Inasmuch as under Polish-Russian governmental agreements Poland imports Siberian gas at prices that are much lower than those charged of other importers, EU auditors decided that the dumping margin accounts for 50 percent of the price of UAN.

But CIECH representatives claim that it is the Polish Government and not the producers that should be accused of importing the gas from Russia, as the producers buy the gas at a standard price and for dollars. They also claim that, despite their numerous efforts, no meeting with the FMA ever took place and no attempts to conclude a conciliation agreement were made. They place great hopes in the Council and Committee of the Association [FMA], which may become a forum at which they can present their version of the matter.

Since the proceedings were initiated, the FMA has been demanding of Polish enterprises that they voluntarily cut their output in half, but the Pulawy Nitrogenous Fertilizers Plant, which accounts for 95 percent of Poland's UAN output, refuses to do so (for the Kedzierzyn Nitrogenous Fertilizers Plant the production of UAN accounts for only 2-4 of its overall output). From the legal standpoint, the initiation of the proceedings has not changed the status of the Polish exporters but, according to Cezary Gawrys of CIECH, it has greatly hurt the plant's image. For the last six months CIECH has been able to conclude only spot-cash transactions, because all importers fear the introduction of anti-dumping duties. The accused enterprises were also forced to use the services of a Belgian lawyer (recommended by the Polish commercial attache in Brussels), for which so far they paid $40,000.

The representatives of the Polish companies claim that the Commission's imposition of anti-dumping duties will in practice mean withdrawal from EU markets, on which their product is competitive chiefly pricewise. That would conflict with the idea of the FMA, which presupposes a closer rather than a restricted economic cooperation.

Trade With Russia on Decline; Solutions Offered

94EP0072A Warsaw GAZETA BANKOWA in Polish No 24, 11 Jun 94 pp 1, 27

[Article by Iwona Ryniewicz: "It Takes Two To Tango: Absorbed in Domestic Problems, Russia Shows No Interest in Rebuilding Trade Ties With Poland"]

[Text] The visit of the Russian prime minister to Poland, originally announced for May, has already been postponed several times and it is not known when it will take place. It is yet further proof of Russia's lack of interest in rebuilding trade ties with Poland.

Last year debt-laden Russia allocated to repay its obligations 40 percent of its export revenues, which totaled $43 billion. Last year its balance of trade showed a surplus of $14 billion (in 1992 the surplus was $3.1 billion), chiefly owing to a drastic restriction of imports by the authorities. That affected Russia's trade with the countries of central Europe. Poland recorded a negative balance of trade with Russia amounting to $627 million.

Russia is Poland's third largest trade partner, but compared with previous years, its share in Polish exports and imports keeps declining. In 1993 exports to Russia accounted for 4.6 percent of overall Polish exports (a decline of 1.1 percent compared with 1992) and imports 6.8 percent (a decline of 2.3 percent). Bilateral trade has been hovering at the same level of $2 billion for the last three years and nothing indicates that it may increase substantially, for reasons that can be attributed to both the Russian and the Polish sides.

A Problematic Option

The issue of settling mutual indebtedness has been burdening trade relations between Poland and Russia since the disintegration of the USSR. According to estimates, Russia owes us $334 million and 8.3 billion transfer rubles, while Poland's indebtedness to Russia amounts to $2 billion and more than 5 billion transfer rubles. Negotiations on mutual indebtedness have been continuing for several years and, despite the announcement that the zero option would be introduced, nothing indicates that this will happen. The postponement of the visit by the Russian prime minister is causing the issue to become even more remote; the zero option was to be included on the agenda of his talks in Warsaw.

The unsettled accounts from the past are causing many Polish companies to refrain from shipping their merchandise to Russia, and the structure of bilateral trade does not reflect actual import and export potential. It is hardly a secret to anyone that the competitiveness of many Polish goods on Western markets is limited and east could be a natural direction for the expansion of our exports.

The scale of our exports to Russia of such standard products as machinery, pharmaceuticals, or cosmetics, is limited. But enterprises still owed money for past exports to the former USSR cannot be expected to wipe the slate clean. That particularly concerns companies that were basically dependent on the eastern market. The money owed the Polish arms industry from exports to the former USSR amount to $200 million, of which just one company, Polmo-Praszka, is owed $16.5 million.

What Will the State Budget Do?

The debt owed by the former USSR totals $7 billion, or about 19 trillion zlotys. It so happened that most of the funds owed to Polish enterprises were related to implementation of government contracts and orders, so that it is precisely the government that should now repay the resulting obligations. Given the present situation of the state budget, it is unrealistic to earmark in it any funds for repaying that debt even partially. The government could find some substitute resources such as bonds or Treasury notes, meaning securities that would serve to guarantee loans without which the victims of trade with the East cannot restructure themselves.

Nothing indicates that the government is planning any such measures, nor that there exists a chance for adopting the zero option. Instead, a law on export loan guarantees was passed for the benefit of exporters, and the capitalization of KUKE [Corporation for Export Credit Insurance] was increased to 360 billion zlotys. For this year the government plans to allocate up to 25 million zlotys for individual export loan guarantees, but can Russia be accommodated within any limits of foreseeable risk?

The German Hermes insurance lost a lot of money in connection with exports to Russia (the debts owed by Russia to the German companies insured with it total DM18 billion), and likewise the French COFACE and the Italian SACE have been losers. Poland is too poor to establish credit guarantees on the scale existing in Germany or France, and the Corporation for Export Credit Insurance is an exceptionally unwieldy institution and one not prone to risk taking. On the other hand, such risks are to be undertaken by the Agency for Economic Growth whose capitalization consists of shares owned by the Ministry for Foreign Economic Relations in central foreign trade agencies. That ministry, which is blocking the privatization of foreign trade, juggles quite liberally the shares it owns in that trade, neglecting the minor detail that it represents the nonexistent State Treasury.

Perhaps then a commercial system of self-insurance of potential exporters would be viable? This idea is being promoted by the World Center for Trade and Finance with the East, which engages in trade activities with Russia and for this year plans a $100 million high volume of trade with that country. But unless the impetus is provided by the government, such a system will not arise.

Lack of Interest

Russia, for its part, is showing no interest in a revival of trade contacts with Poland. Its foreign debt, which last year amounted to $80 billion (compared with $43 billion in 1992) is prompting severe restrictions of official imports. True, in the opinion of experts from the World Center for Trade and Finance with the East, Russia is keeping in foreign banks $40-50 billion and in addition it

is owed $60 billion by Third World countries, but this does not change the fact that its current payments situation is bad.

Russia has not concluded any trade agreements with Poland for this year, and experience in the actual implementation of contracts bartering Russian natural gas for Polish food, signed with such hoopla, bodes ill for similar undertakings in the future.

Anyone who had thought that the Russians would be willing to supply their natural riches in return for potatoes and onions now knows how mistaken he was. The Russians prefer to sell crude oil, and natural gas as well, for dollars, and as for Polish foods, whose production is not being subsidized by the state, they cannot withstand price competition with their Western counterparts. It is symptomatic that companies "rooted" in trade with Russia, such as Profus Management, hardly sell any Polish food at all on the Russian market, because it is too expensive for Russians. Still, according to official statistics, exports of food-industry products last year accounted for 29 percent of overall Polish exports to Russia (an increase of 16 percent compared with 1992), although the exports of agricultural commodities accounted for 8 percent [as published] (a decline of 11 percent compared with 1992).

Looking for a Method

The hopes for rebuilding trade with our eastern neighbor, voiced in the official utterances of the representatives of the present government, do not appear too justified. Russia has its own political and economic problems which are preventing its prime minister from paying a visit to Warsaw and its officials from negotiating several economic agreements. Thus trade consists in "grabbing" customers capable of making partial or, even better, total advance payments or agreeable to barter deals. Barter transactions account for about one-tenth of the volume of Polish-Russian trade.

To regain the standing of Polish suppliers on the eastern market, investments in that market are needed. But who is to do that, and with whose money? Neither business nor the government can afford to bear the expenses of trade with Russia. Yet, on the other hand, it is precisely to the East that we have a chance of exporting products which the West will not buy. Can this predicament be resolved?

In the opinion of Jaroslaw Mulewicz, the chairman of the World Center for Trade and Finance with the East, we should begin by introducing the zero option, gradually and in stages because an immediate and total annulment of indebtedness would cause incalculable consequences to companies and banks. Otherwise there can be no genuine unblocking of trade, because, in the event of debt annulment, no company that is owed money will be willing to trade with Russia.

Polish Trade With Russia, 1993 (in percent)

Exports	
Farm commodities	5
Chemical industry	17
Food industry	29
Electrical machinery industry	33
Others	16
Imports	
Farm commodities	6
Chemical industry	8
Electrical machinery industry	4
Fuels and energy	77
Others	5

Source: Main Statistics Office

Money Laundering Seen as Threat to Country

94EP0071A Warsaw ZYCIE GOSPODARCZE in Polish No 24, 12 Jun 94 pp 18-20

[Article by Pawel Kapuscinski: "The European Center for Laundering Dirty Money for Poland? Dry Cleaning"]

[Excerpts] The secrecy surrounding the Western financier who wanted semi-anonymously to offer a loan to build Professor Religa's clinic, or the ambiguity of the beginnings of Zygmunt Solorz's fortune were the first signals—perhaps—to broad public opinion of attempts to initiate laundering dirty money in our country.

The Chief Accountant of the PKO BP Bank Wlodzimierz Wasowski believes, in this excellent "Poradnik dla bankowcow. Pranie pieniedzy—przeciwdzialanie" [A Guide for Bankers. Money Laundering—How To Counteract It] that such laundering already took place and cites opinions naming Poland as a paradise for launderers, who in recent years have succeeded in thus "rinsing" several billion dirty dollars deriving chiefly from drug trafficking.

Professor Emil Plywaczewski of the Nicolaus Copernicus University in Torun even stated plainly in his brochure, "Pranie brudnych pieniedzy" [Laundering Dirty Money], "On the other hand it is an incontrovertible fact that by the end of the 1980s Poland had become an attractive area for individuals disposing of dirty money." This Torun lawyer warns, "Thus there exists a real danger that Poland may gain the inglorious name of being the European center for laundering dirty money."

So Poland is being chided, but that also applies to a greater or lesser extent to all the countries of our region. "It is assumed that the foreign underworld purchases industrial enterprises in this region with cash contributions," Prof. Plywaczewski states.

But as ours was the first country to initiate economic reforms and ours as well is the longest-lasting precarious and inconsistent legal system, characteristic of the transition period of transformations, Poland may be indeed most threatened by an invasion of dirty capital. As the then Minister of Finance Teresa Janiszewska declared in an interview granted to PRAWO I ZYCIE in early 1992, "Many foreign investors come from countries in which so-called easy money is generated, or in which traces of funds are readily lost."

But certainly the laundering of dirty money, meaning the legalization of income derived from crime, has a much longer tradition in Poland than the growth of currency exchange offices and joint ventures capitalized with funds from Poles abroad and other foreign investors. It likewise dates back farther than the recently arisen favorable circumstances, such as the liberalization of laws governing export of foreign exchange from Poland and repatriation of profits, the initial ease with which banks could be established (and which was exploited by the scam artist Bogatin who is now serving a jail sentence in the United States). Similarly, such laundering is older than the broad process of privatization, where at the lower levels no one examines too deeply the past of businessmen offering the needed funds to buy state enterprises; it also is older than the at first exceptionally attractive tax incentives offered for the expansion of gaming establishments, the unprededented porousness of the boundaries of the customs area, or lastly the infantile disease of our stock market—an ideal instrument for individuals desiring to legalize their money. [passage omitted]

In all Western countries the laundering of dirty money is prosecuted by the law with utmost severity. It is generally identified in legal codes as a separate kind of severe crime and less often, as e.g. in Austria, prosecuted under general criminal laws governing participation in criminal actions. Laundering is penalized with long prison sentences, fines, and confiscations. This exceptional severity of Western legislation derives from the fact that, while it does not include in the category of launderable dirty money all illegal incomes, e.g., those deriving from tax cheating, it applies to assets derived from the direst and least easily combatted crimes, such as drug trafficking, trade in weapons, trafficking in slaves, large-scale organized smuggling by mafias, sales of stolen vehicles on the international scale by the mafia, etc.

The Polish legal system has not yet defined as a special legal category of crime the actions known worldwide by the name of "Geldwascherei," or by the English appellation of money laundering. Thus, had that director-smuggler engaged in the same activity nowadays that the Polish law governing foreign exchange is among the most liberal in the world and allows transporting abroad any amount of money whatsoever collected from one's own bank account, he most likely would be not bothered at all by the law enforcement agencies. So then after all, there is something to it when Poland is called a paradise for launderers.... In Great Britain, for example, such a smuggler would have to make sure not to transport more than 10,000 pounds, as otherwise he would have to explain how it came in his possession and what he was going to spend it on. If there is a shadow of suspicion that the cash being transported derives from drug trafficking, it is seized. It is then confiscated in the event that the traveler is unable to prove the legality of that cash; there is no need at all for the authorities to prove in a court of law the criminal source of the funds. It rarely happens in a democratic country that a citizen has to prove that he is not a "camel" instead of the authorities having to prove that he is one. This demonstrates the exceptional importance attached in the West to the harmfulness of money laundering.

In Poland, which has fortunately not yet experienced a plague of drug addition on the Western scale, the use of funds of dubious provenance does not elicit such negative social responses as in the countries of the West. In the public discussion of the loan for building Prof. Religa's clinic many persons expressed the view that pecunia non olet (money does not smell) and what matters not the origin of the money but that the clinic will save health and lives.

Pecunia non Olet

The law enforcement agencies also shirk the subject of the laundering of dirty money like a dog keeping away from a porcupine, owing to the not too clear legal status of such laundering. Yet there exist many provisions of the criminal code which, in the opinion of Prof. Oktawia Gorniak of Silesian University, could serve to effectively prosecute the activities relating to money laundering. Under Article 215 of the Criminal Code a launderer can be considered a fence, because this concerns "property obtained by a prohibited act." Article 252 of the Criminal Code warrants making an accusation of complicity in a crime; Article 248, accusation of hindering criminal proceedings; and Article 276, accusation of participating in a criminal conspiracy.

However, public prosecutors are not anxious to avail themselves of these provisions. It may be that either they have to expect the release on bail of yet another crook or they simply do not believe that their efforts in court can bear fruit.

On being contacted by telephone, Public Prosecutor Ryszard Kucinski, the press spokesman for the Warsaw Voivodship Procurature, told me, "Insofar as I know no accusation of legalizing money derived from a crime has ever been brought before a court in Poland. Sufficiently clear legal provisions are lacking, and thus it is difficult to find a legal rationale for such an accusation. Laundering itself certain exists; for example, it is widely said that the stock market is used for this purpose, but we cannot cope with it. We are awaiting the passage of a law governing trade protection, which the previous Sejm failed to pass, as well as amendments to the criminal code." The same thing was said by the head of the

Section for Economic Crimes at the National Police Headquarters: "Give us a law so we can act."

I learned from Director Jan Delis at the Treasury Audit Department of the Ministry of Finance that the ministry wants amendments to the law on Treasury audits, with partial amending of the banking law. This concerns making it legal to waive confidentiality of banking in the event it is necessary to examine bank accounts which serve to launder money.

The Ethical and the Practical Dimensions

Throughout the world enormous amounts, totaling as much as $300 to $500 billion, are being laundered, according to the Financial Action Task Force (FATF), or even $860 billion according to the Interpol. In Europe and America alone criminals have to channel into legal economic transactions about $85 billion annually. Naturally enough, operations on such a scale necessitate utilizing the financial system—chiefly banks, but also insurance companies, mutual funds, savings and loan associations, etc. Thus, the utilization of financial institutions is a characteristic aspect of money laundering. Also typical of such operations is the international nature of the related activities. [passage omitted]

The leading groups of bankers are aware of the threat posed to our financial system by the laundering of dirty money. Poland's inclusion in the fight against this laundering is dictated by both the ethical aspect of international solidarity and practical considerations.

In Bulletin No. 3 of the European Center at Warsaw University the Chairperson of the National Bank of Poland Hanna Gronkiewicz pointed out that the involvement of banks in laundering dirty money can upset their financial stability, increases the risk of losses owing to corruption of bank employees, and, lastly, causes foreign partners to lose confidence in the financial institutions of a country considered as a "money laundry."

Incidentally, the world's most spectacular example of the pernicious effects of involvement in illegal transactions is the collapse of the mighty Bank of Credit and Commerce International (BCCI). [passage omitted] It had also some ties to our own FOZZ [Foreign Debt Service Fund]. When it collapsed, investors and depositors lost $5 billion.

In October 1992 the chairperson of the National Bank of Poland issued Executive Order No. 16 which, in accordance with the recommendations of 6 February 1990 of the Financial Action Task Force and the Directive of 10 June 1991 of the Council of Europe, obligated Polish banks to identify customers engaging in cash transactions exceeding 200 million zlotys, recommended notifying offices of public prosecutors about cases indicating intent to launder money, and ordered the banks to establish in-house systems for counteracting money laundering.

In practice, the sole effect has been the reporting of large cash payments. Perhaps in the future something will result from the collection of such information, but first money laundering has to be legally defined as a crime and the law enforcement bodies have to start combatting this crime vigorously. For the time being the accomplishments so far in this respect can be defined, to put it politely, as the first step in the right direction, and to put it plainly, as an empty gesture.

Persons and institutions facing the problem of money laundering are generally aware of the ineffectiveness of the steps taken so far against it. The wish to make this activity punishable has also been very energetically voiced by the chairperson of the central bank. Dagmara Lipka-Chudzik, also of the central bank, declared, "We cannot count on law enforcement bodies which lack a solid legal basis for their activities. It seems that Poland is one of the links in the chain of laundering money from both the West and the East. A specialized institution, group, or task force dealing with this matter should be established in Poland."

The financial system is the first to be exposed to infection with dirty money, but the discretion that is a component part of finance and banking prevents outsiders from peering behind the veil. On the other hand, every participant in economic life in Poland often encounters an economic phenomenon that can hardly be interpreted as anything else than instances of the activities of money launderers. Thus, many suppliers and wholesalers offer imported merchandise of various nature, from foods to electronics and pharmaceuticals, at "impossible" prices. For a long time this had been considered a consequence of mass smuggling which results in low "competitive" prices owing to avoidance of duties, border-crossing fees, and the VAT. But it is becoming increasingly clear that this is not the only explanation. A highly probable explanation is that the importation of merchandise, its sale at low prices, and the legal transfer of funds abroad are by now an oft-employed technique for laundering dirty money by means of the Polish market.

Over There It Is a Crime, Here It Is Business

In Western countries banking systems have developed defense mechanisms protecting them against participation in laundering dirty money, and as one result some basic banking rules have had to be revised. [passages omitted]

In Poland laundering dirty money is not a crime, and therefore it is not punishable.

[Box, p 20]

Basic Legal Acts Concerning Money Laundering

—Executive Order No. 16/92 of 1 October 1992 of the Chairperson of the National Bank of Poland; this obligates banks to verify the identity of customers engaging in transactions of more than 200 million

zlotys. It also imposes on banks the obligation of establishing in-house systems for counteracting money laundering and obligates them to notify the offices of public prosecutors about any suspect transactions regardless of size.

—"Draft Criminal Code," Article 298, provides for imprisonment for three months to five years as penalty for money laundering that consists in concealing the origin of assets derived from, according to one version of the draft, "criminal economic activity," or according to another, more specific version," "a prohibited activity relating to the production or trafficking in drugs or trafficking in weapons." An additional penalty may be the confiscation of the assets "even when they are not the property of the perpetrator."

—Draft Law on Trade Protection, Article 9, makes punishable the concealment or nondisclosure of substantial assets derived from criminal economic activity or Treasury [tax] crimes. Hindering the identification of the origin of the assets and of the place of their concealment, etc., as well as assistance in avoiding the legal consequences of such action is to be punishable by imprisonment for six months to five years.

—Convention No. 141 of 8 November 1990 of the Council of Europe; this concerns the laundering of dirty money, and the prosecution, seizure, and confiscation of assets deriving from that crime. The Convention was signed by 20 countries.

—Guidelines of 10 June 1991 of the Council of Europe; these concern preventing the exploitation of the financial system to launder money.

—Declaration of Principles of the Basel Committee for Banking Supervision, 12 December 1988.

—Recommendations of 7 February 1990 of the so-called Special Group (Financial Action Task Force) concerning the prevention of the laundering of dirty money.

Izetbegovic Supports Contact Group Peace Plan

AU0707111194 Paris AFP in English 1100 GMT 7 Jul 94

[Text] Sarajevo, July 7 (AFP)—Bosnian President Alija Izetbegovic on Thursday said he was in favour of accepting the peace plan put forward in Geneva by international mediators. "In my personal opinion, I think we should accept this plan," he told a news conference here. But the decision whether to accept the peace plan would be taken by parliament at a meeting on July 18, he added.

Silajdzic Reacts to Plan

BR0607144094 Bern ATSA/SDAA Database in French 1130 GMT 6 Jul 94

[Article signed LN/NI: "Bosnia: First Reactions to New Peace Plan Moderate"]

[Text] Geneva, 6 Jul (ATS)—The new peace plan proposed by the United States, Russia, and the European Union was submitted to the Bosnian delegations in Geneva on Wednesday morning. The first reactions to the "ultimatum" issued on Tuesday [5 July] by the Group of Five appear to be more moderate than during the previous mediation attempts. The Bosnian parties, however, are denouncing several weaknesses in the proposals.

The cautious reactions can be explained by the fact that the belligerents have two weeks to give an official answer. Besides, they have to take account of the cohesion—at least the seeming cohesion—shown by the major powers. The United States, Russia, and Europe are putting pressure on their respective allies to prevent an escalation toward war.

'Serious Weaknesses'

At the Russian mission to the United Nations in Geneva on Wednesday morning, the plan and the detailed map were handed over to Bosnian Prime Minister Haris Silajdzic, Vice President Ejup Ganic, leader of the Bosnian Croats Kresimir Zubak, and leader of the Bosnian Serbs Radovan Karadzic.

As far as the Bosnian side is concerned, Haris Silajdzic said that the plan for the partition of Bosnia contains some guarantees but also "serious weaknesses." "I am not totally pessimistic," he added, however, and he did not reject the settlement plan. The Bosnian Government and parliament will examine the peace plan in Sarajevo before they make their final position known.

According to the Bosnian prime minister, the major problem remains the protection of Bosnia's international borders to prevent any secession by the Bosnian Serbs. On the partition of Bosnia, he criticized the fact that towns such as Prijedor or Zvornik remain in Serbian hands. He also denounced the absence of corridors between the Muslim zone of Bihac and the rest of the Croat-Muslim federation. Moreover, the situation of the Muslim enclaves in eastern Bosnia is still untenable.

'Realistic' Proposals

For the Croatian side, Mr. Miomir Zuzul, Croatian ambassador to Geneva and President Tudjman's special envoy to the negotiations on former Yugoslavia, termed "realistic" the proposals made by the Group of the Five in Geneva on Tuesday. "We do believe that they represent a new step toward a comprehensive settlement and that the efforts made will bear results."

"For the first time," he stressed, "the mutual recognition of six independent states of former Yugoslavia with their internationally acknowledged borders is envisaged. Bosnia remains a unitarian state." He added that a mutual recognition was more valuable than all the international guarantees. He told the press that he wished that Belgrade would give up the idea of a Greater Serbia and opt for a final settlement.

One of the major players in the conflict, Serb leader Radovan Karadzic, had not yet made any statement by noon. The Serbs control almost 70 percent of Bosnian territory and should return approximately 20 percent of it in the framework of the peace plan.

Foreign Minister Views Plan

LD0607213994 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2000 GMT 6 Jul 94

[Text] Bosnia-Herzegovina Foreign Minister Irfan Ljubijankic today received Miguel Angel Martinez, president of the Council of Europe's Parliamentary Assembly.

We are here not only to lend support to our friends, but also to achieve our goal—to contribute to the creation of a democratic, pluralist, and free Europe. We had talks about the future progress of the peace process and steps for its implementation as proposed by the international community. We believe it is important to accept this proposal, which would represent the first step toward a final peace agreement, Martinez stated following the meeting.

Minister Ljubijankic said: I briefed Mr. Martinez about the latest developments and the proposal of the Contact Group. I told him we are ready to accept this plan under certain conditions—that Bosnia-Herzegovina remain a sovereign state and that the return of refugees to their homes be secured. If these conditions are fulfilled, it will not be we who reject the plan.

EU Administration Team Arrives in Mostar

LD0607152494 Mostar Croatian Radio Herceg-Bosna in Serbo-Croatian 1400 GMT 6 Jul 94

[Text] A 20-strong advance EU administration team, part of the two-year EU administration of Mostar, arrived in Mostar today.

But one more important condition should be fulfilled for the EU team to officially take over the administration of Mostar: The local authorities have still to demilitarize the city, Ambassador (Claus Mecher) said on arrival in Mostar as an advance envoy of EU Administrator Hans Koschnick. (Mecher) hopes that the demilitarization of Mostar will be completed by the end of July when Hans Koschnick is expected to arrive.

According to Mecher, 80 people will be needed for the EU administration in Mostar to function properly: They will be accommodated in the Hotel Ero. Mecher also said that the EU administration of Mostar will also include police units, but for the time being their number has not yet been determined. I hope that the EU administration in Mostar will achieve its goals, (Claus Mechar) concluded.

'Excerpts' of EU Agreement

AU0607173494 Zagreb HINA in English 1636 GMT 6 Jul 94

[Unattributed report: "Excerpts From Agreement on EU Administration of Mostar"]

[Text] Zagreb, 6 Jul—Following are excerpts from the official English version of the 22-article agreement on the European Union [EU] administration of Mostar, signed in Geneva on Tuesday evening [5 July].

Article 2 focuses on the aims and principles of the EU administration, which are:

—to allow the parties time to find a lasting solution for the administration of the Mostar city municipality. The EU administration will not prejudice permanent arrangements concerning the status of Mostar,

—to contribute to a general climate conducive to the elaboration and stabilization of permanent arrangements by the parties leading to a single, self-sustaining and multi-ethnic administration of the city,

—to contribute to the holding of democratic elections which will have to take place before the end of the EU administration,

—to assist in the return to normal life for all citizens of the Mostar city municipality,

—to assist in restoring public utilities,

—to assist in ensuring the protection of human rights,

—to assist in creating the conditions for the return to their homes of all displaced citizens of Mostar,

—to assist in organizing and providing humanitarian aid,

—to assist in the preparation and implementation of programs for economic reconstruction,

—to assist in ensuring the maintenance of public order,

—to assist in the re-establishment of all public functions in the city,

—to assist in ensuring national, religious and cultural identity of all the people in the area under EU administration in keeping with the Constitution of the Federation of Bosnia and Herzegovina.

Article 4 says in part that "the Mostar city municipality will be governed by the EU administration for a maximum of two years from the day of the official assumption of the duties of the EU administrator. The Council of Ministers of the EU reserves the right to terminate the EU administration at any time if it considers that there is a substantial change in the conditions put for that or if any of the parties does not fulfill its obligations."

Article 5 says in part that "the area under EU administration shall comprise the municipality of the city of Mostar."

Article 7 says that "the administrator will have the powers necessary to fulfill the aims and principles of the EU administration mentioned in Article 2 above, and to administer the Mostar city municipality properly and efficiently, having regard to the overall principle of subsidiarity and taking due account of the view and wishes of the local parties and population." Under this article, the administrator will apply the Constitution of the Federation of Bosnia and Herzegovina, take his instructions from the Council of Ministers of the EU to which he will regularly report, and cooperate closely with the Governments of Bosnia and Herzegovina and of the Federation of Bosnia and Herzegovina, the United Nations and other international organizations.

Article 8 says that "an advisory council will be established, comprising five Bosniak, five Croat, five representatives of a group of others, out of which three will be Serb representatives. The advisory council will advise the administrator on all issues concerning the administration of the Mostar city municipality, including proposals for the appointment of Mostar residents as cohead of department level. The advisory council will take its decisions by consensus which will be duly taken into account by the administrator, who takes the final decision. Before the end of the term of the EU administration the advisory council will be replaced by a communal assembly, formed as a result of democratic elections."

Article 9, dealing with structure of the administration, says in part that "the administrator will be supported by a number of EU special advisers, including a diplomatic adviser, a military adviser, and an adviser for refugee affairs, appointed by the Council of Ministers of the EU.

"The city administration will take advantage of existing administrative structures, as appropriate. There will be seven departments, subject to further examination: city administration, finance and taxes, reconstruction, economic and transport infrastructure, education and culture, public order, and health and social services.

"Each department will be headed jointly by an EU official appointed by the EU Council of Ministers and one or two Mostar residents as appropriate, appointed by the administrator."

Article 10 says in part that "the laws and regulations of the Federation of Bosnia and Herzegovina will apply in the city of Mostar in conformity with Part B, Chapter IX, Article 10 of the Constitution of the Federation of Bosnia and Herzegovina."

Article 11 says in part that courts, set up in the Mostar city municipality in conformity with the Constitution, will rest fully independent in performing their adjudicative tasks on the basis of the applicable law, including regulations issued by the EU administrator in accordance with Article 10 above.

Article 12 says that "a single police force, unified at all levels, will be established under the authority of the EU administrator. The composition of the police shall reflect, at all levels, that of the population in the EU administration area. It will comprise an element of international participation, which will be provided by WEU (Western European Union) as part of the EU administration. Further details will be set out in a separate document."

Article 14 says that "the area under the EU administration will be fully demilitarized under the supervision of UNPROFOR [UN Protection Forces] before the beginning of the EU administration. There will be no military or paramilitary personnel of the parties in the EU administration area during the EU administration without the permission of the EU administrator."

Article 15, concerned with refugees and displaced persons, says in part that "all persons, who at the time of the 1991 census had their principal residence in Mostar, will have the right to return to the city. The EU administration will take the necessary steps to develop a program with a view to creating the conditions for the return of these persons to their homes. The right to return to their homes of those who have taken refuge in the city will be facilitated."

Article 19 says in part that "the EU administrator and EU members of the administration will be granted by the receiving party during their mission, mutatis mutandis, the privileges and immunities of diplomatic agents provided for in the Vienna Convention on Diplomatic Relations."

Article 22 says that "this memorandum of understanding comes into effect upon its signature by the contracting parties."

Status of Serbs in New Cabinet Debated

AU0707082994 Zagreb VJESNIK in Serbo-Croatian 28 Jun 94 p 9

[Report by Ivan Sabic: "Federation—the Fifth Serbian State?"]

[Text] Sarajevo (from VJESNIK's special correspondent)—At the latest meeting of the Assembly of Bosnia-Herzegovina, in the debate that preceded the vote of confidence in Silajdzic's reshuffled cabinet, Mirko Pejanovic, member of the Presidency of Bosnia-Herzegovina, put forward a proposal that the new cabinet should include two ministers of Serbian nationality, and pointed out that Silajdzic and Kresimir Zubak had already been informed about the idea. His proposal was readily accepted by Miro Lazovic, chairman of the Assembly, who suggested that the deputies should state their opinions. However, Vlado Pandzic, chairman of the Croatian deputies' club, objected, saying that the Croatian deputies are not ready to discuss the entry of two Serbs into the government at the moment, for that government is supposed to be the government of the Croatian-Bosniak Federation. According to some sources, this action of Pandzic's met with great approval among the Bosniak deputies, and after the meeting some of them even approached him and gave him credit for his performance in the Assembly.

When thinking about Pejanovic's proposal and Pandzic's reaction, the first question that arises is why some of the Bosniak deputies did not take the floor and comment on the proposal as well. Particularly if one knows that in debates on other issues they have been far more communicative and ready to debate than the Croats and that, apart from Pejanovic, it was exclusively the Bosniaks who discussed Silajdzic's proposal for a government reshuffle. Can a conclusion be drawn that the Bosnian deputies dodged a conflict with the loyal Serbs, leaving it to the Croats to do the job, so that Bosniaks can maintain good relations with the Serbian Civil Council [SGV]? While doing so, did they, perhaps, reckon on a certain desire of the Croatian deputies to revenge themselves on the SGV people for an incident that Lazovic caused at the first post- Washington session of the Assembly, when he had asked Jadranko Prlic to leave the assembly hall?

Two Ministers and Agreement

Whatever the answers to these questions may be, this way of reasoning still only touches the surface of the problem. Particularly because Pejanovic's proposal that the government, which plays two roles, should include two ministers of Serbian nationality is not the first attempt aimed at changing the main principle of the Washington agreement, specifying that it is an arrangement between two of the three constituent peoples in Bosnia-Herzegovina.

That is to say, even before opinions were expressed by some SGV people that, for the future of Bosnia-Herzegovina and democratic development in the part of the territory controlled by the government in Sarajevo, it would be good if Serbs were equal with the other two peoples in all aspects, that is, if they could become one of the constituent peoples of the Federation. In that case the constitutionality of the Serbian people would first be accomplished within the Federation, which is supposed

to establish itself on an as-yet-undecided percentage of the territory of Bosnia-Herzegovina, meaning the territory where the Muslims and Croats were in a majority before the war, while later the Serbs' constitutionality would also be accomplished in the part of Bosnia-Herzegovina controlled by the Serbs. Or, after the possible successful completion of the peace negotiations, in the part of Bosnia- Herzegovina's territory that will remain outside the borders of the Croatian-Bosniak Federation.

Therefore, if the Constitution of the Federation were to be modified in such a way that it renders all three peoples constituent, it would happen that, in addition to their controlling some 70 percent of Bosnia-Herzegovina's territory, the Serbs would have an equal share in the administration as Croats and Muslims do in the remaining 30 percent of the territory. Thereby the Federation, together with Serbia, Montenegro, and the Serbian states, proclaimed on the territories of Croatia and Bosnia-Herzegovina would become the fifth Serbian state, which is, as many think, a good enough reason to dismiss any debate on proposals that the Serbian people should be given the same legal-constitutional position as the Croatian and Bosnian people have in the Federation.

If There Were Guarantees

Particularly because it is not expected that, once a final agreement on the settlement of the crisis in Bosnia-Herzegovina is reached, the parts of Bosnia-Herzegovina belonging to the Serbs will be admitted to the Federation under similar conditions to those the regions inhabited by Croats and Bosniaks were. On the other hand, while avoiding giving equality to the Serbs in the free territory of Bosnia-Herzegovina by refusing to proclaim the Federation as a community of three constituent peoples, the government in Sarajevo would in fact recognize Radovan Karadzic and his flock as the only legitimate representatives of the Serbian people in Bosnia- Herzegovina if it justified its reluctance with the fact that, in a great part of Bosnia-Herzegovina, Serbian authorities exist anyway. Thereby the impression that the authority of the Srpska republic is some combination of occupation and rebellion would disappear, while, at the same time, solid reasons would be given for the world to conclude that even the authorities in Sarajevo agree with the theory that a civil war is going on in Bosnia-Herzegovina.

If the very act of proclaiming the Serbs as one of the constituent peoples of the Federation would automatically give some guarantees that it is the first step toward the termination of the war and the addition of Serbian territories to the Federation, the problem could be resolved much more easily and quickly. However, the number of Croats and particularly Bosniaks who would oppose this is not so small.

Possibility of Addition

However, all this still does not mean that the Bosnian Serbs have been deprived of the possibility of joining the other two peoples, nor does it mean that their rights have been suspended by the proclamation of the Federation. Because, according to the Constitution of the Federation, the Republic of Bosnia-Herzegovina still exists as the community of three peoples, regardless of the new joint state of the Croats and Muslims. Its administrative bodies still represent the state of Bosnia-Herzegovina in its internationally recognized borders. However, it is also a clear signal to Karadzic and those like-minded that Bosnia-Herzegovina has still not been partitioned, which means that, since the Croats and the Bosniaks have not recognized his government, they have left a possibility for the Bosnian Serbs to reach a fair agreement. Therefore, it is up to the Serbian people whether it will stay within the state of Bosnia-Herzegovina—and if yes, in what form—or whether it will follow Karadzic's policy of creating its own state on one part of the territory of Bosnia-Herzegovina. The future position of the Serbs in each part of the territory of Bosnia-Herzegovina will depend precisely and solely on that decision. If the Serbs decide to join the Federation, it is understandable that their political position throughout Bosnia- Herzegovina will be equal to those of the other two peoples. Otherwise, those Serbs who remain living in the territory of the Bosniak-Croatian Federation will most probably have to be satisfied with the status of a national minority.

Serb Guns Seen in Sarajevo Exclusion Zone

AU0707081894 Paris AFP in English 0801 GMT 7 Jul 94

[Text] Sarajevo, July 7 (AFP)—Two Bosnian Serb guns were briefly sighted in the Sarajevo exclusion zone on Wednesday [6 July], but then disappeared, a UN Protection Force spokesman said Thursday. One tracked 75mm gun and a 30mm artillery gun mounted on a truck were seen moving in separate locations, but it was not immediately clear from where they had emerged or where they had gone, Commander Eric Chaperon said.

The North Atlantic Treaty Organisation has warned it stands ready to strike any guns inside the 20 kilometre (12-mile) weapons exclusion zone imposed around the city in February. Meanwhile, fighting continued in the north of the country between Moslem and Serb forces, notably in the vicinity of the Serb corridor south of Brcko, where overnight shelling was reported. Fighting also continued overnight on the eastern side of the Ozren mountain range, in the north of the country, with observers reporting some 68 explosions and machine gun fire in the Gracanica area.

Muslims Open Fire on Serbs Near Doboj

LD0607143594 Belgrade TANJUG in English 1334 GMT 6 Jul 94

[Text] Doboj, July 6 (TANJUG)—Moslem troops Wednesday morning opened mortar fire on Serb positions west of the north Bosnian town of Doboj, local Bosnian Serb military sources said. The sources said the Serbs has repelled two strong Moslem infantry attacks in

the south and northeast of Teslic, north Bosnia. Fighting continues in the mountains of north Bosnia, French agency AFP said quoting United Nations sources. There were no casualties from Moslem 82mm and 120mm mortar attacks on Serb positions west of Doboj, the sources said and added that the Serb troops had returned fire.

In the Trebava battlefront, northeast of Doboj, the Moslems opened infantry fire but refrained from major actions in the region of Mt. Ozren over the past 24 hours. The Moslems have been launching a strong offensive on Serb positions in north Bosnia, focusing on Doboj and Mt. Ozren, days before the Geneva one-month ceasefire is due to expire (July 10). The Bosnian Serb army command said that its troops are respecting the ceasefire and responding only in self-defence.

In the region of Orasje recorded were only minor attacks by Bosnian Croat and regular Crotian army troops, which were stationed in this town in Bosanska Posavina two months before the civil war in Bosnia broke out.

Minor Moslem attacks were also recorded in the area of Srbobran (former Donji Vakuf), central Bosnia, and sporadic infantry fire was heard in Sarajevo, the Bosnian Serb military sources said.

HVO Commander on Priorities of General Staff

AU0707092394 Split SLOBODNA DALMACIJA in Serbo-Croatian 6 Jul 94 p 4

["Exclusive" interview with General Milivoj Petkovic, commander of the General Staff of the Croatian Defense Council, by Zdravka Soldic in Sarajevo; date not given: "We Demand Our Tanks and Guns From UNPROFOR"]

[Text] We have met with General Milivoj Petkovic, commander of the General Staff of the Croatian Defense Council [HVO], in Sarajevo and, at the beginning of the interview, asked him to tell us a little about the reasons for his arrival:

[Petkovic] The passing of the [Bosnia-Herzegovina] Federal Constitution resulted in the need to discuss the makeup of the army. General Delic and myself have tried to agree a meeting on several occasions, however, we could not manage it so far, for numerous objective reasons. We arrived with a most representative makeup, I was accompanied by General Blaskic and Brigadier Jelavic, and from the side of the Bosnia-Herzegovina Army the negotiating group consisted of General Delic, General Hadzihasanovic, and General Hajrulahovic. First, we analyzed the realization of the peace agreement. We agreed that much has been accomplished over a relatively short period of time. There are certain problems occurring on the ground, but these are rare and isolated cases.

[Soldic] Can you reveal whether you agreed upon anything concrete?

[Petkovic] We agreed that the lines of contact, which are minimal and spaced out now, should simply disappear. In this way there will be no more lines of contact in 15 to 20 days. A considerable segment of the army will be withdrawn, only smaller forces consisting of some five to six people will remain; they will patrol along the country lanes throughout the present battlefield. We agreed that we cannot leave these territories entirely without control, because of the possibility of incidents. For this reason, the HVO will supervise its part of the territory and the Bosnia-Herzegovina Army its part.

[Soldic] Does that mean the demobilization of the HVO or the withdrawal of the army?

[Petkovic] It is not demobilization that is in question, but the withdrawal of the army to its base and the control of the territory with considerably fewer troops than this has been the case so far.

[Soldic] Have you agreed anything else?

[Petkovic] We agreed to issue a demand to the UN Protection Forces [UNPROFOR] to release certain arms, mortars, guns, and tanks that have been under its control since the signing of the agreement on the separation of the forces of the HVO and the Bosnia- Herzegovina Army and to use them at our discretion where it might be necessary. The HVO's arms currently under UNPROFOR control will, after their release, be deployed where we consider they are needed the most, while General Delic will use his hardware where he judges them to be needed most. A great quantity of arms is currently under UNPROFOR control and we demand from UNPROFOR that these arms be released as there is no fear that we might use them against each other. UNPROFOR will continue to supervise these territories and, thus, there is not reason to fear a dishonoring of the agreement. The Bosnia-Herzegovina Army needs arms as there are a great number of active battlefields and we must protect the Neretva Valley, Livno, and Tomislavgrad.

Further, we agreed things regarding the functioning of the Joint General Staff. The Joint General Staff has so far been a link between the General Staff of the Bosnia-Herzegovina Army and the HVO General Staff. So far, the Joint General Staff did not have the authority to issue commands, it was mostly touring the ground, getting acquainted with the situation. Today, we charged them with the task of creating the constitution of the future joint army, from the general staff down to the lowest of formations and units. The General Staffs of the HVO and the Bosnia-Herzegovina Army will examined these proposals.

It was agreed that the territory of control by the HVO and the Bosnia-Herzegovina Army must be divided according to the battlefields. On these territories we must define the units. It is important that the units remain in their present makeup. Therefore, the units will not mix, each of them will retain its own formation. I cannot say how long this will last. I believe that it should

be permanent. We must form the joint armed forces, but I am against the mixing of the armies. I would not have the courage to form a brigade that would be 70 percent Muslim and 30 percent Croat or vice versa. It is easier to control your own brigade on a defined territory in a defined zone against the Serbs. The task of the Joint General Staff is to divide the zones of responsibility. We have presented our positions today, which luckily corresponded to the views of the Bosnia-Herzegovina Army negotiating group. We also discussed the flow of goods and agreed that the army has no business on the roads. The roads will be controlled by the civilian police.

[Soldic] Did you agree any joint actions against the Serbs?

[Petkovic] The alleged cease-fire with the Serbs is still topical. The deadline is running out quickly, though. For the time being, there is no indication that the HVO and the Bosnia- Herzegovina Army would act with joint forces in certain regions. However, we give considerable logistic support to the Bosnia- Herzegovina Army, which is presently of greater importance to them than the manpower. Over the last month and a half, much has been done in this sphere and we will do even more in the future. We have established a close cooperation between the HVO and the Bosnia- Herzegovina Army against the Serbs. We agreed that our commanders at the lower levels should work together on certain lines of defense. There will have to be joint activities if the territories populated by the Croats become endangered.

[Soldic] Are you satisfied with the choice of defense minister?

[Petkovic] The defense minister is new, but he will certainly do well in his job. Mr. Prlic is a highly intelligent man who is always very successful in responsible duties. I believe that he will not find it difficult to form the Defense Ministry. He is a visionary man and always succeeds.

Presidential Council: Peace Plan 'Favorable'

LD0607140794 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 6 Jul 94

[Text] We have just received another statement from the office of the president of the republic. The statement says that the 46th session of the Presidential Council for Defense and National Security was held today in the presidential palace under the chairmanship of President Tudjman.

The council reviewed issues relevant for Croatia's internal and foreign policy and its international position. The council was informed about the Contact Group's proposal, which the Croatian side considers favorable. The proposal puts particular stress on the international community's recommendation to the countries in the territory of former Yugoslavia that they should recognize each other and that the negotiations between the Republic of Croatia and the local Serbs [in Croatia's Krajina region] should be resumed.

The council also heard a report on the visit by the president of the parliamentary assembly of the Council of Europe, Miguel Angel Martinez. The council was briefed on preparations for the visit of Turkish President Suleyman Demirel and the coming tripartite meeting on the island of Brioni between the Republic of Turkey, the Republic of Croatia,and the Federation of Bosnia-Herzegovina.

The council also discussed certain issues concerning relations between the Republic of Croatia and the Republic of Slovenia.

Granic Demands Changes in UNPROFOR Mandate

AU0607173394 Split SLOBODNA DALMACIJA in Serbo-Croatian 5 Jul pp 4-5

[Interview with Mate Granic, foreign minister and deputy prime minister, by Olga Ramljak; place and date not given: "UNPROFOR Will Have To Be Deployed on Croatia's Borders"]

[Excerpts] [Ramljak] The hottest summer topic on the Croatian political scene is the UN Protection Force [UNPROFOR], its inefficiency, and the dilemma of whether to let the blue helmets stay or ask them to leave. We ask Foreign Minister and Deputy Prime Minister Mate Granic: Is UNPROFOR a foreign or domestic political issue? Is Croatia going to war or is this just saber—rattling?

[Granic] UNPROFOR belongs to general state policy as it has both foreign and internal political implications. The UN Protected Areas [UNPA] under UNPROFOR's control are occupied parts of Croatia, and Croatia is trying to reintegrate them peacefully. This is the essential aim of Croatian policy, and in order to achieve it we have been using all legal institutions and activities, both in the country and abroad, all the way up to the United Nations. [passage omitted]

[Ramljak] Can the UNPROFOR mandate—even in its least favorable interpretation—be defined as the right of the blue helmets, for example, to suspend water supplies from Kakma until an agreement on this is reached with the Serbian side?

[Granic] This statement by UNPROFOR is completely wrong. This issue was supposed to have been solved with the Zagreb agreement. The cease-fire that has been achieved is not a good enough result in view of the negotiating efforts so far, and, besides, the negotiations have brought nothing new. UNPROFOR, apart from enforcing the no-fly zone, has the mandate to keep the peace. The issue of water is primarily a humanitarian issue. This, however, is all a question of the quality of UNPROFOR's work, which depends on the will of the main international political protagonists. Let me remind you that, after the Washington Agreement, there have been an increasing number of countries and international political bodies that are joining in with Croatia's action to have a serious discussion in autumn about our demands over the occupied regions of Croatia.

[Ramljak] Are we going to war in autumn or will the work be completed successfully by diplomatic means?

[Granic] We have not received support for a military operation from the international community. However, if the Zagreb agreement is not implemented, Croatia will have the best possible argument for negotiations in the Security Council. Croatia has never been in a stronger position, and never more determined finally to solve the issue of the occupied territories together with the crisis in neighboring Bosnia-Herzegovina. This forces us to strengthen our defenses and our legal state in an effort to establish sovereignty throughout our territory until the signing of global regional peace agreements. The recent signals from Belgrade have been encouraging. Unfortunately, they are not reflected in developments on the ground, which do not indicate any real interest in establishing genuine normalization.

[Ramljak] So, will Croatia agree to the extension of the UNPROFOR mandate under the same conditions?

[Granic] We will absolutely not agree to the extension of an identical mandate. Croatia is finally in a position to demand that UNPROFOR be deployed along the borders of internationally recognized Croatia, and that displaced people are to be allowed to return home. The Assembly at its extraordinary session in mid-July will determine the conditions under which UNPROFOR can stay in Croatia. [passage omitted]

[Ramljak] There have been announcements of a possible new meeting between President Tudjman and Milosevic. Is it realistic to expect such a meeting?

[Granic] The prerequisite that Croatia is demanding for top level talks with Serbia is their unconditional recognition of Croatia's borders and sovereignty in the spirit of the UN resolutions. [passage omitted]

Tudjman Rejects Extension

LD0507154294 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 5 Jul 94

[Text] We have just received the following press release from the office of the president of the republic:

Croatia's President Franjo Tudjman has received a U.S. Congress delegation in the Presidential Palace. The delegation consists of Howard Berman, Alcee Hastings, Julian Dixon, Lucille Herbert (?Allot), Anna Eshoo, Butler Derrick, Robert (?Mande), and Nancy Pelosi. The congressmen were accompanied by U.S. Ambassador to Croatia Peter Galbraith.

They discussed the problem of Croatia's occupied areas under the protection of the peace forces, the contact group's proposal for Bosnia-Herzegovina, and other issues of resolving the crisis in the area of the former Yugoslavia.

President Tudjman stressed that he very much appreciates the U.S. involvement in resolving the crisis in the area of former Yugoslavia, without which the present results would not have been achieved. The Croatian Government accepted and contributed to the signing of the Washington agreement as a precondition and basis for ending the war and speeding up the resolution of the UNPA [UN Protected Areas] zones.

Asked by the congressmen about Croatia's standpoints regarding the extension of the UNPROFOR [UN Protection Forces] mandate, President Tudjman said that one-quarter of Croatia's territory is occupied. In that area there are 194,000 people, or 4 percent of the total population of the Republic of Croatia. These 4 percent occupy 25 percent of Croatian territory, while at the same time a quarter of a million Croatians, Ruthenians, Hungarians, and other non-Serbian population have been driven out from the area.

In this context the president stressed the determination of the Croatian Government not to extend this kind of mandate, under which ethnic cleansing has continued and 600 people have been killed in the UNPA's over the last two years. The president also stressed that he holds in high regard the U.S. Government's stand and that of President Clinton, whereby the extension of sanctions on Serbia is dependent on a resolution to the situation in Croatia. Sanctions and measures must also be linked to UNPROFOR's mandate in Croatia. UNPROFOR has not carried out the Vance plan as it has succumbed to Serbian pressure. This is why the Security Council and the UN ought to come up with resolute demands and vest more authority in UNPROFOR. The international community ought to use oil, President Tudjman stressed.

Asked by the U.S. congressmen about the Contact Group's proposal for Bosnia-Herzegovina, President Tudjman said that, for its part, Croatia will use its influence to ensure that the Bosnia-Herzegovina federation accepts the international community's proposal. Speaking about the possibility of lifting the arms embargo, President Tudjman said that one should aspire toward political solutions and even toward imposing peace rather than allowing the war to spread.

The talks were attended by Katica Ivanisevic, president of the Chamber of Counties; Deputy Foreign Minister Ivo Sanader; Branimir Jaksic, deputy head of the office of the president of republic; Zeljko Matic, the president's adviser for foreign affairs; and presidential spokeswoman Vesna Skare.

Parliamentary Session Scheduled

AU0607130394 Zagreb HINA in English 1208 GMT 6 Jul 94

[Unattributed report: "Emergency Session Of House of Representatives on 16 July"]

[Text] Zagreb, July 6—Speaker of the Croatian Parliament's House of Representatives Nedjeljko Mihanovic convened an emergency session of the House for 16 July. The session will focus on the mandate of the UN peacekeeping forces in the Republic of Croatia, and it is convened at the request of majority delegates of the House. The UN Protection Forces [UNPROFOR] mandate will expire on 30 September.

Tudjman Receives U.S. Congress Delegation

AU0607111994 Zagreb HINA in English 1634 GMT 5 Jul 94

[Unattributed report: "President Tudjman Receives U.S. Congress Delegation"]

[Text] Zagreb, July 5 (HINA)—Croatian President Franjo Tudjman on Tuesday received a U.S. Congress delegation, consisting of Howard Berman, Alcee Hastings, Julian Dixon, Lucille Royball-Allard, Anna Eshoo, Butler Derrick, Robert Menendez, and Nancy Pelosi. The talks were also attended by U.S. Ambassador to Croatia Peter Galbraith. The talks focused on the problem of Croatian occupied territories under UN protection, the Contact Group plan for Bosnia-Herzegovina and other issues relative to the resolution of the crisis in former Yugoslavia, said the president's office in a statement. President Tudjman expressed appreciation for the U.S. involvement in resolving the crisis in former Yugoslavia. For its part, the Croatian Government welcomed and signed the Washington Agreements and is endeavoring to create the conditions for ending the war and speeding up the resolution of the problem of the UNPAs [UN Protected Areas]. Asked to expound Croatia's official views on the extension of the UNPROFOR [UN Protection Forces] mandate, President Tudjman noted that 25 percent of the Croatian

territory was under occupation. This area had been seized by 194 thousand people, i.e. 4 percent of the population of Croatia, who expelled 250,000 Croats, Hungarians, Ruthenians and other non-Serbs. In this respect, President Tudjman stressed the government's determination not to extend the present mandate, which allowed ethnic cleansing to go on and 600 people to be killed in the UNPAs in the past two years. President Tudjman supported the U.S. stance that the sanctions against Serbia should be linked to the situation in Croatia. UNPROFOR has failed to implement the Vance Plan, because it yielded to Serbian pressure, said President Tudjman, adding that the UN Security Council should consider investing UNPROFOR with wider powers. He went on to suggest that the international community should also use NATO. Asked to comment on the Contact Group proposal for Bosnia-Herzegovina, President Tudjman said Croatia was going to use its influence to encourage the Federation of Bosnia-Herzegovina to accept the proposal. Speaking about the possibility of lifting the arms embargo, President Tudjman said a political solution, not the spill-over of war, was the thing to aim for, even if it meant enforcing peace.

Tudjman Receives Council of Europe Official

AU0607064494 Zagreb HINA in English 1927 GMT 5 Jul 94

[Unattributed report: "President Tudjman Receives Miguel Angel Martinez"]

[Text] Zagreb, 5 Jul—Croatian President Franjo Tudjman on Tuesday received the President of the Parliamentary Assembly of the Council of Europe, Miguel Angel Martinez, said the President's office in a statement. Mr. Martinez was accompanied by Spanish Ambassador to Croatia Luis Felipe Fernandez de la Pena. President Tudjman acquainted the President of the Parliamentary Assembly with the situation in the occupied parts of Croatia and Bosnia- Herzegovina, the implementation of the Washington Agreements and the functioning of the Croat-Bosniak Federation. The talks also focused on the development of democracy in Croatia, the relations between Croatia and its neighbors and favorable economic trends, which created the conditions for Croatia's admittance to the Council of Europe.

Noting that Croatia belonged by right in the family of European countries, Martinez expressed the hope that Croatia would soon take its place among them. Under the leadership of President Tudjman, who was elected by the will of the people, Croatia has made a clear choice for the future, defining its place among democratic countries of Europe, despite the difficulties it had faced during the struggle for independence and was facing now. Croatia has the sympathies of the members of the Council of Europe. Croatia has progressed far on the path toward democracy, pluralism of political life, and the protection of human rights, and can look forward with optimism to prompt admittance to the Council of Europe, which will pave the way for joining other European integration forms, Martinez said.

Official Meets Parliament Members

AU0607065394 Zagreb HINA in English 1528 GMT 5 Jul 94

[Unattributed report: "Martinez Meets Croatian Parliament's Members"]

[Text] Zagreb, 5 Jul—The chairman of the Parliamentary Assembly of the Council of Europe, Miguel Angel Martinez, attended as a guest a session of the extended Croatian parliamentary committee on foreign affairs, chaired by the deputy speaker of the Croatian Parliament's House of Representatives, Dr. Zarko Domljan. The Croatian Democratic Union (HDZ) deputies, independent members of the parliament, Milan Djukic as a representative of the Serb National Party (SNS), Boris Kandara and Ante Djapic as the Croatian Party of Law (HSP) deputies and Drago Stipac, a representative of the Croatian Peasant Party (HSS) were present at today's session in Zagreb.

Martinez reminded members of the Croatian parliamentary committee of a positive role assumed a half year ago by Croatian Parliament and its then speaker Stipe Mesic at the moment when the Council of Europe had seriously considered a possibility to rescind the Croatia's status of a special guest in the institution. Commenting on Croatia's receiving the full membership in the Council of Europe Martinez said that the current situation in Croatia was "very close to be acceptable."

He stressed that reports on freedom of the media in Croatia, which he got, were positive. Martinez said that human rights here were not at a worse level than the standards for the rights in a dozen countries that were now members of the Council of Europe. Martinez added that a group of experts following him would arrive in Croatia to assess whether it was a democratic state in all aspects.

Mentioning cases of eviction from flats by force and the instance of state-controlled Croatian Radio and Television (HRT), Martinez said that such problems should not been kept secret, but solved at adequate levels without exaggeration and politicization.

Afterwards Martinez held talks with representatives of Croatian parliamentary opposition. Their talks revolved around the parliamentary crisis in Croatia. The meeting was held at the request of the opposition representatives. Stjepan Mesic, a member of the Croatian Independent Democrats (HND), and representatives of Croatian Social-Democrats (HSLS), the Croatian Populous Party (HNS), the Istrian Democratic Party (IDS), the Dalmatian Action (DA), the Social Democratic Party (SDP) and the Croatian Peasant Party (HSS).

Martinez said that it would be important to establish whether the crisis might be marked as a crisis of a democratic or undemocratic state explaining that "there is no political crisis in undemocratic states." He warned that there was danger the crisis might mar a process of admitting Croatia to the Council of Europe. Therefore, both the opposition and the ruling party had to show maturity in solving the problem that must not become the chronic crisis. He added that people who he knew and worked with were included in the crisis, and that's why his confidence in them "has its own weight".

Martinez met the UN Secretary-General's special envoy and UN Protection Force (UNPROFOR) chief coordinator, Yasushi Akashi, in Zagreb on Tuesday afternoon.

Tudjman, Crvenkovski View Relations, Economy

AU0607172494 Zagreb HINA in English 1355 GMT 6 Jul 94

[Unattributed report: "President Tudjman Receives Macedonian Prime Minister"]

[Text] Zagreb, 6 Jul—Croatian President Franjo Tudjman received Wednesday morning [6 July] Macedonian [The Former Yugoslav Republic of Macedonia—FYROM] Prime Minister Branko Crvenkovski, said the Presidential Office in a statement.

President Tudjman informed his guest about Croatia's international-political position and relations with some countries. He concluded that the current international position of Croatia is very stable and that it gained significant international reputation, especially after the signing of the Washington agreements. A significant progress was made in the field of economy and financial and monetary policy, as well as in the development of democracy and human rights, and that was also confirmed by yesterday's visit of chairman of the Parliamentary Assembly of the Council of Europe A.M. Martinez. Croatia's major unsolved problem is the reintegration of the occupied areas (UNPAs) into the Croatian constitutional and legal system. The further delay of that issue and an extension of the UNPROFOR's [UN Protection Force] mandate of this kind is unacceptable for Croatia. The situation in Bosnia-Herzegovina might be dramatic if efforts and plans of the Contact Group fail. Prime Minister Crvenkovski conveyed greetings of Macedonian President Kiro Gligorov to President Franjo Tudjman and invited him, on behalf of the Macedonian President, to visit Macedonia. President Tudjman accepted the invitation with pleasure.

Afterwards, Prime Minister Crvenkovski informed his host about Macedonia's international position, its relations with neighboring countries and the economic situation. Macedonian northern and southern borders have practically been closed and because of that Macedonia suffers considerable losses.

Agreement Signed

AU0607134094 Zagreb HINA in English 1155 GMT 6 Jul 94

[Unattributed report: "Agreements Between Croatia and Macedonia Signed"]

[Text] Zagreb, July 6—Croatian and Macedonian Prime Ministers Nikica Valentic and Branko Crvenkovski, signed today in Zagreb an agreement on friendship and cooperation between Croatia and Macedonia [the Former Yugoslav Republic of Macedonia—FYROM]. Bilateral agreements on double taxation avoiding, trade and economic co-operation, investments, road and air traffic were also signed today in Zagreb by Croatian Deputy Prime Minister Borislav Skegro, Croatian Minister of Economy Nadan Vidosevic, Croatian Minister of Traffic Ivica Mudrinic, Macedonian Finance Minister Devded Hajredini, and Macedonian Minister of Economy Petrus Stefanov. After the signing, Valentic and Crvenkovski said that the arrangement of the Croatian-Macedonian relations is an example showing how the relations among all countries of the former Yugoslavia should be arranged.

Tudjman Chairs Defense Council Session

AU0607175194 Zagreb HINA in English 1527 GMT 6 Jul 94

[Unattributed report: "Session of Croat Council of Defense and National Security"]

[Text] Zagreb, 6 Jul—The Croatian Presidential Council of Defense and National Security held its 46th session in Zagreb on Wednesday [6 July] under the chairmanship of Croatian President Dr. Franjo Tudjman.

The council considered issues of internal and foreign policies as well as the international position of the Republic of Croatia. In this context the council was informed of the five-power contact group's proposal on the territorial constitution of Bosnia-Herzegovina.

The council was rendered a report on the visit of the chairman of the Council of Europe's Parliamentary Assembly, Miguel Angel Martinez, to Croatia.

At the 46th session the Croatian Council of Defense and National Security was informed of the preparations for the arrival of Turkish President Suleyman Demirel, as well as of the forthcoming tripartite meeting of Turkey, Croatia, and Federation of Bosnia-Herzegovina on the island of Brioni.

The council also considered some questions in the relations between Croatian and Slovenia, according to a statement issued by the presidential office in Zagreb on Wednesday afternoon.

Army Captures Serbian Paramilitary Group in Zadar

AU0607135694 Zagreb HINA in English 1311 GMT 6 Jul 94

[Unattributed report: "Members of Serbian Paramilitary Brigade Captured"]

[Zagreb] Zadar, July 6 (Hina)—The Croatian Army in Split stated Wednesday that six members of the 92d Benkovac brigade (a Serb paramilitary unit) had been captured near the village of Suhovare in the Zadar hinterland on 4 July. The captured soldiers disguised themselves as civilians, and members of the Croatian Army seized them when they come in the area controlled by the Croatian Army. One of captured soldiers had a paper with grid references of the Croatian Army positions, said the source.

IDS Official Discusses Status of Istria

AU0607082494 Zagreb VECERNJI LIST in Serbo-Croatian 30 Jun 94 p 4

[Report by V. Brnabic on Istrian Democratic Congress election assembly in Pula on 29 June: "Pauletta: 'Federation With Croatia'"]

[Text] Although the foundations of the Istrian Democratic Congress [IDS] were laid in Pula, the IDS branch in that town has suffered the most from personnel changes, resignations, and removals from office. For several months now, the branch has been suffering a kind of chaos; its activities have been made difficult, with the party bodies incomplete and, for a while, no president. An election assembly of the IDS branch in Pula was thus held yesterday, with the new president and new bodies, as the IDS believes that Pula will continue to be the main exponent of the party ideas, as IDS President Ivan Jakovcic said, greeting the Pula IDS members. Jakovcic said that the party in power [Croatian Democratic Community—HDZ] had carried out a coup in parliament, and that such a parliament operation was harmful to the reputation of Croatia.

Ivan Pauletta, an IDS member, was much harsher last night in Pula. He said that the Republic of Croatia and the Republic of Slovenia were dividing Istria with an unnatural border that separates Istria from Europe.

He also remarked that Istria should demand federal relations with the Republic of Croatia, which has determined such relations for Herzeg-Bosna and [Fikret] Abdic's part of Bosnia. Pauletta therefore believes that it should be demanded that Istria be a federal unit of the Republic of Croatia, and that, as an entity, it be the European Region of Istria. By appealing to the IDS members to no longer take the arrogance that the president of the Republic of Croatia [Franjo Tudjman] spreads by coming to Istria on holiday for free, the harsh Pauletta ended his speech.

Turkish Unit Leaves Split for Bosnian Mission

TA0707103394 Ankara ANATOLIA in English 0945 GMT 7 Jul 94

[Text] Split, Croatia July 7 (A.A.)—The Turkish peace forces kept waiting in Split for 15 days began traveling from Split to Zenica this morning. An official note, saying that a rental problem for the accommodation of Turkish troops in Zenica was eventually resolved, was delivered to the Turkish Command, ending the 15-day waiting of the troops. The first part of Turkish troops, which included 87 vehicles and 218 personnel left Split. The materials are delivered with vehicles and the personnel with buses. The transportation of a total of 1,458 Turkish personnel will be completed within a few weeks. On their way to the mission site, Turkish troops will from time to time pass within Serbian mortar and cannon ranges and will be protected by Croatian troops in Croatia and by U.N. soldiers in Bosnia-Herzegovina. Meanwhile, Turkish soldiers are warned against Serbian attacks, after reports that Serbian soldiers were instructed to shoot any Turk they saw. The first Turkish contingent is expected to reach Zenica in 14-15 hours, the 240-mile (410-km) distance is full of mountains.

Defense Minister Views Border Issue, NATO

LD0607180094 Belgrade TANJUG Domestic Service in Serbo-Croatian 1628 GMT 6 Jul 94

[Text] Skopje, 6 Jul (TANJUG)—Macedonian Defense Minister Vlado Popovski said in an interview for the government's "press bureau", broadcast by Macedonian Radio this afternoon, that he "cannot tell for certain whether the border problems between the Federal Republic of Yugoslavia [FRY] and Macedonia are about to be resolved, because the FRY has not yet recognized Macedonia, and recognition is a precondition for resolving the border issue."

According to Popovski, "theoretically, things could be dealt with the other way around, meaning that delineation carried out first would automatically imply the recognition of statehood."

Two days ago the Macedonian Government elected a commission made up of members from three ministries and the geodetic department whose task is to initiate talks with the Yugoslav side, he said.

Popovski underlined that Macedonia's diplomatic and political methods aimed at defusing tensions along the border have proven to be efficient, and that they also involved the international community, the CSCE, and representatives of the UN forces in Macedonia.

Minister Popovski also spoke about NATO's Partnership for Peace program, stressing that this initiative was Macedonia's strategic option, but that this did not apply to the final objective - full membership in the Atlantic alliance.

Police Arrest Ethnic Albanian Arms Smugglers

AU0607121694 Skopje MILS-NEWS in English 6 Jul 94

[Unattributed report: "Arms Smuggling Channel Revealed"]

[Text] July 1, the Macedonian Interior Ministry revealed and interrupted another channel for the smuggling of weapons into Macedonia [The Former Yugoslav Republic of Macedonia—FYROM]. The police believe this is an attempt to arm extreme groups of Albanian nationality. The police action revealed and confiscated one machine gun, an automatic rifle, 2 revolvers, a hand grenade, 652 bullets of various calibers, 2 radio stations [as received], 2 knives, 2 forged identity cards, and several seals of the Kumanovo police and of the customs at the border crossings of Deve-Bair, Blace, Kafasan, and Kapikule.

The arms were discovered during a control on the regional Tetovo-Vratnica road. The smugglers resisted arrest, but were subdued. The arrested group consisted of 3 Yugoslav and 2 Macedonian citizens of Albanian origin. The investigation showed it was an attempt to smuggle arms for illegal sale, but aimed at arming illegal paramilitary Albanian groups in Macedonia and Kosovo. The Yugoslav citizens belong to the former well-known Marxist-Leninist groups, with programs including armed action, as sole option for gaining independence for Kosovo and creating a Greater Albania.

Prime Minister on 'Successful' Croatia Visit

AU0607204294 Zagreb HINA in English 1855 GMT 6 Jul 94

[Unattributed report: "Statement of Macedonian Premier After His Visit to Croatia"]

[Text] Skopje, 6 Jul—Upon arrival at Skopje airport this evening from a two-day visit to Croatia, Macedonian Prime Minister Branko Crvenkovski declared that his visit to Zagreb had been very successful because of signing six agreements on friendship and cooperation between Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] and Croatia and because of the fact confirmed at the talks with Croatian President Dr. Franjo Tudjman and other high officials, that the bilateral relations were on the rise.

Prime Minister Crvenkovski said that the two countries' embassies would be opened in Skopje and Zagreb next September. This would be an incentive that relations between former Yugoslav republics could be successfully arranged as the example of Croatian-Macedonian ties might show.

Commenting on Croatia's response to and stance on the Croat-Bosniak Federation in Bosnia-Herzegovina and its proposed confederation with Croatia Macedonian Prime Minister said that Macedonia was also interested in a peace plan and proposals given by the five-power "contact group" in accordance to which newly established countries on the area of former Yugoslavia should recognize each other as well.

Federal

Minister Condemns FYROM Ban on Belgrade Papers

LD0607224294 Belgrade TANJUG in English 2011 GMT 9 Jul 94

[Text] Belgrade, July 6 (TANJUG)—Yugoslav Information Minister Slobodan Ignjatovic said that the decision banning the sale of some Belgrade papers in the Former Yugoslav Republic of Macedonia (FYROM) was deliberately calculated to create an impression of allegedly bad relations between Yugoslavia and FYROM.

This is highly detrimental because it is in the interest of the Federal Republic of Yugoslavia to have good relations with all its neighbours, including FYROM, Ignatovic said.

After last month's ban of a large number of papers published by the Belgrade news publishing house Politika, FYROM authorities also banned the import and sale of another Belgrade daily, VECERNJE NOVOSTI.

VECERNJE NOVOSTI, the paper with the biggest circulation in Yugoslavia, was banned by the FYROM Interior Ministry as of Monday, because of its allegedly tendentious and biased reporting on the situation in FYROM.

Ignjatovic told VECERNJE NOVOSTI on Thursday that the move was obviously in line with other undemocratic means used by the regimes of former Yugoslavia's breakaway republics.

With the same explanation, the Macedonian Interior Ministry has recently banned nine papers published by the news publishing house Politika—the daily POLITIKA EKSPRES, the weekly ILUSTROVANA POLITIKA, the sports magazine TEMPO, the sports daily SPORTSKI ZURNAL, the children's weeklies MIKIJEV ALMANAH and POLITIKIN ZABAVNIK, the women's magazine BAZAR, the crossword magazine HUPER and the specialized magazines SVET KOMPJUTERA (computers) and VIVA (medicine and environment).

After the ban of yet another Belgrade daily in FYROM, the Democratic Party of Serbs in Macedonia, the only party rallying Serbs in FYROM accused the authorities of committing a cultural genocide of the Serbs.

The party said the decision of the Macedonian police violated fundamental human rights.

Serbia

Kozyrev Expects Serbs To Accept Group's Plan

LD0607160794 Belgrade TANJUG Domestic Service in Serbo-Croatian 1538 GMT 6 Jul 94

[Text] Belgrade, 6 Jul (TANJUG)—Serbian President Slobodan Milosevic today received Russian Foreign Minister Andrey Kozyrev who had arrived in Belgrade from Geneva. Milosevic and Kozyrev met behind closed doors, but it is presumed that the talks focused on the work of the Contact Group. On arrival in Belgrade, Kozyrev declared at the airport that he expects all three sides in Bosnia to accept the territorial division formulated by the Contact Group. Kozyrev especially stressed that he expects the Bosnian Serbs to accept this proposal. The Russian minister also said that all three Bosnian sides would have the right to unification with their parent nation within the context of the political resolution of the Bosnian conflict.

Milosevic: Talks 'Profound, Honest'

LD0607195394 Belgrade TANJUG Domestic Service in Serbo-Croatian 1848 GMT 6 Jul 94

[Text] Belgrade, 6 Jul (TANJUG)—Serbian President Slobodan Milosevic this afternoon received Russian Foreign Minister Andrey Kozyrev, who arrived on a brief visit to Belgrade from Geneva where he attended a meeting between Contact Group ministers over the past two days. Today, the group presented a proposal on the territorial division of Bosnia-Herzegovina. Following the talks which lasted for 2 hours and 45 minutes, Milosevic addressed numerous journalists assessing the talks as "very profound, honest, and open".

"It is beyond any doubt that Russia and Serbia are advocating that peace be finally restored in former Bosnia-Herzegovina as soon as possible," Milosevic said. With regard to the territorial division proposal, the Serbian president said: "I would not like to comment on the content of the proposal. This should be done by the parties involved. However, I would like to point to some positive elements of our talks. What I believe to be a positive thing is that the proposal as put forward by the ministers in Geneva was not presented in the form of an ultimatum. On the contrary, it was presented as a proposal which all the sides should examine and present their final view on after the expiry of a certain deadline."

Milosevic expressed the hope that these views will not be passive. As he said, it is now up to the parties to the conflict to accomplish everything they can agree on and everything where common ground can be reached. Also, they should not harbor strong reservations about accepting this.

"In this respect, I believe that the most desirable thing at this moment is active engagement on the part of the sides in the conflict," Milosevic stressed. The Serbian president went on to say that Serbia will uphold the search for a compromise solution until a just and lasting peace is achieved. "Our paramount objective is a just and lasting peace."

"In this context, I believe that the first step in this direction will be to extend the cessation of hostilities between the warring sides, so as to create conditions for finding the best solution. Our general view is known: There can be no lasting and stable peace without the

equitable and equal protection and affirmation of the three sides' interests, that is, the interests of all the three peoples in Bosnia," Milosevic said.

Russian Foreign Minister Kozyrev agreed with Milosevic that their meeting today was open and constructive. The Russian minister stressed that he and the Serbian president talked about a positive reply to the international community about the proposal on the territorial division of Bosnia as, he said, "there is no other alternative."

According to Kozyrev, today's talks with the Serbian president were aimed at helping the warring sides in Bosnia achieve a compromise. Andrey Kozyrev said that he and Milosevic also discussed possibilities of lifting the sanctions against the FRY. He was very categorical, stressing that the abolition of sanctions will start with the establishment of peace in Bosnia. He said that the abolition of sanctions is one of Moscow's priorities in the process of resolving the Bosnian conflict.

The Serbian president has no doubt in his mind that first of all every effort must be made to halt the war. "Everything else must be resolved by political means and we believe that everything can be resolved in this way," President Milosevic said in conclusion.

Milosevic-Kozyrev News Conference

AU0607213394 Belgrade Radio Beograd Network in Serbo-Croatian 2000 GMT 6 Jul 94

[Report on news conference by Serbian President Slobodan Milosevic and Russian Foreign Minister Andrey Kozyrev with unidentified correspondents in Belgrade on 6 July—recorded]

[Text] Serbian President Slobodan Milosevic has held talks with Russian Foreign Minister Andrey Kozyrev in Belgrade. The talks lasted two hours and 45 minutes. After that, Slobodan Milosevic and Andrey Kozyrev addressed correspondents:

[Milosevic] I will speak to you very briefly. As you saw, we held a long and—I would say quite openly—profound, honest, and open conversation. It is beyond any doubt that Russia and Serbia are striving intensely for the final restoration of peace [in Bosnia-Herzegovina].

I would not like to comment on the content of the proposals. This should be done by the parties involved. However, I would like to point out some positive elements of our talks. What I believe to be a positive thing is that the proposal, as put forward by the ministers in Geneva, was not presented in the form of an ultimatum. On the contrary, it was presented as a proposal that all the sides should examine, discuss, and present their final view on after the expiry of a certain deadline. However, this should be done in a passive way. It was left to the parties in the conflict to accomplish everything they can agree on within this deadline and everything where common ground can be reached. Also, they should not harbor strong reservations about accepting this. Therefore, I believe that the most desirable thing at this moment is an active engagement on the part of the sides in the conflict.

In this sense, Serbia will uphold the search for a compromise solution until a just and lasting peace is achieved. Our objective is a just and lasting peace.

In this context, I believe that the first step in this direction will be to extend the cessation of hostilities between the warring sides so as to create conditions—conditions under which people will not be killed—for finding the best solution. Our general view is known: There can be no lasting and stable peace without the equitable and equal protection and affirmation of the three sides' interests—that is, the interests of all the three peoples in the former Bosnia-Herzegovina.

[Correspondent] [words indistinct] your view on these meetings....

[Kozyrev, in Russian with superimposed Serbo-Croatian translation] I think this was an open, business-like, and constructive conversation. Both of us are aware that there is no other alternative to the positive answer to the international community's proposals. At the same time, we have two weeks to help the sides find a compromise.

[Correspondent] Do you think that the (?cease-fire) should be extended?

[Kozyrev] Of course, the cease-fire should be preserved.

[Correspondent] Mr. Milosevic, what will be your advice to Mr. Karadzic?

[Milosevic] Well, I suppose they have explained their stand. They will carefully study all elements of the plan they have been given, and they will explain their proposals for improvements.

[Correspondent] What are your impressions regarding the peace plan?

[Milosevic] I do not want to comment on the details of the plan. I think that, as regards the specific proposals of the plan, this right primarily belongs to the sides in the conflict, to whom this plan was (?revealed).

[Correspondent] Mr. Kozyrev, why would Mr. Milosevic trust you when you have been supporting the Muslim side, you and Mr. Christopher, and everyone else in the group? Why would we trust our partners. The Serbs do not have a better partner and ally than Russia. Everyone else is supporting the Muslim side.

[Kozyrev, in English with superimposed Serbo-Croatian translation] We support a reasonable compromise and peace. We do not support any one side. Of course, we have close relations with the Serbian side, but we want a just peace, a reasonable compromise that would be fair to everyone, because we are friends of the Serbs.

[Correspondent] Mr. Kozyrev, did you discuss the sanctions that were introduced against Yugoslavia?

[Kozyrev] The sanctions will be lifted when peace is established; there is no doubt about that. The lifting of the sanctions is a priority of Russia.

[Milosevic] There is no doubt that everything should be done to stop the war first. Everything else must be solved with the political means, and we think that everything can be solved with political means.

Situation at FYROM Border 'Dangerous'

AU0607120394 Split NEDJELJNA DALMACIJA in Serbo-Croatian 29 Jun 94 p 11

[Article by Emil Vidusic: "A Red Card Handed to the Serbs at the Vardar River Too"]

[Text] The three-year war on the territory of the former Yugoslavia has been apocalyptically approaching Macedonia clockwise, from the western, to the northern, and finally the central part of the former country. The frequent incidents on the Macedonian-Serbian border are by no means transient events, which explode and then die down. They could more readily be described as dangerous, peace-threatening provocations. After all, did World War II not start with a border incident?

German officers transported soldiers who had been killed in reconnaissance in violation of Polish territory to German ground, the Berlin film propaganda showed the "corpus delicti," and Hitler accused Poland of carrying out an aggression against the Third Reich. There are many other instances that show that great wars often begin with small incidents: the frequent provocations at Korean borders culminated with the armed aggression of North Korea against South Korea on 25 June 1950, and the beginning of the Korean war, while the attack of the Vietnamese torpedo-boats on the US destroyer Maddox patroling the Gulf of Tonkin in the summer of 1964 caused the United States to enter the Vietnam war....

The Macedonian "Sins"

The last of some twenty instances of Serbian soldiers "crossing" the Macedonian border, becoming entrenched there, putting up a military camp protected by a machine-gun nest and a recoilless gun on the 1,703 meters high hill of Straza, at the top of the dominating Cupin, a mountain north of Kriva Palanka on the Macedonian-Serbian-Bulgarian border, which Belgrade and the headquarters of the army of Yugoslavia have, naturally, denied, claiming that the Serbian soldiers were entrenched on Yugoslav territory, is, as can be seen from the above mentioned examples, an incident more dangerous than is believed.

The present tension at the border is therefore nothing but adding fuel to the fire, in which the Serbs have two aims. The first is that Belgrade and its generals check the variants of the possible U.S. military reactions to the Serb pressures toward the south, and second that the foreign and internal political situation surrounding the census be made difficult for Skopje, that the country become destabilized, and made an object of foreign military intervention (including some of the neighbors?) for the sake of the alleged protection of their national minorities in Macedonia.

None of the neighboring countries have shown that they particularly like Macedonia. On the contrary, because of their occasional threats, Macedonia could become overnight "the southern front" of a great war in the Balkans.

What "sins" do the neighbors ascribe to Macedonia? Serbia has at least two: the first is the unforgivable secession from the formerly joint state, and the second the alleged violation of the rights of the Serbs who live in Macedonia. Bulgaria, who has been carrying out a "hot-warm" policy toward its western neighbor, treats Macedonians as Bulgarians who should be living in one—Bulgarian—state, and often behaves as the "protector" of Macedonia before the belligerent neighbors. However, Sofia will certainly not want to remain on the other side of the "table" in any of the variants of dividing Macedonia.

The smouldering conflict over the Macedonian issue with the southern neighbors, raised from the level of "reasonable" political and economic pressures to the demonstration of force—Greek warplanes flying over the border under the excuse of "a navigation error," is a series of provocations of Macedonian patience. Albania has been gambling with the same issue, allegedly concerned about the fate of 20 percent—now even the figure of 40 percent is being mentioned—of the Albanian population living on the territory of the eastern neighbor, and it therefore seems that everybody has found something to reproach Macedonia for.

The Southern Front

If the "southern front" is established, which is an issue that is much more seriously considered than here, the weak Macedonia could hardly oppose the aggression from the outside through a frontal war. Its 20,000 soldiers and 80,000 reservists, which figures the allegedly new military intelligence sources claim are half as large, are not significantly mobile, the power of their weapons not great either, and they are mostly trained for peacetime tasks and watching the borders. However, in the event of an external aggression this army will have to oppose the attacker just as the Slovenes, Croatians, and Bosnians have done.

As opposed to Macedonia, there are some 20,000 soldiers, a hundred tanks, and twice as many armored personnel carriers in southern Serbia for the purpose of establishing the "southern front." There are some 40 planes, several hundred paratroopers, and many firearms at Ponikve Airport at Uzice and near Nis.

Even if it were not to use all the 104,000 soldiers, 1,400 tanks, 2,000 armored personnel carriers, 1,700 guns, and

300 planes, the Bulgarian neighbor could threaten the peace at that part of the Balkans to the same extent as a part of the 158,600 Greek soldiers, over 1,500 tanks, 1,500 guns, 2,000 armored personnel carriers, and 500 planes. The 25,000 Albanian soldiers and some 70 old-fashioned tanks should also not be underestimated by the Macedonian generals.

Despite the great military force of its neighbors, Skopje seems not to be frightened by the noise of the military trumpets and war drums. As in the summer of 1991, when some were assuring the Croatian public that there would be no war, and that the "JNA" [Yugoslav People's Army] would not attack Croatia, now the Macedonian defense minister Dr. Vlade Popovski presents similar views, hoping that no one will attack Macedonia as long as the Americans are there. However, what will happen if the Americans "stay cool," and the Serbs attack after all? Many believe that Turkey could guarantee the safety of Macedonia and protect it from aggression.

With these "interests" of the neighbors, the military potential accumulated near the Macedonian border, the indirect threat to the Americans too, and the possible arrival of the Turkish "askers," the sparks of the "southern front" are becoming increasingly obvious, and the late strategic diagnosis requires urgent strategic therapy so that Macedonia does not begin to burn, and the Balkans along with it.

With the Serbian plan for cementing the situation in the south, Sandzak and Kosovo should fall under the paw of the Serbian leader and his generals, and the final reckoning with the Croats in Vojvodina, and maybe Hungarians too, would then only be a question of days.

The Crawling Aggression

There are many dangerous sparks in the aggression "crawling" toward Macedonia, which were not as numerous in the war against Slovenia, Croatia, and Bosnia-Herzegovina. At the "southern front" there is a threat of war escalations among four [preceding word in bold print] neighbors, with the United States and Turkey being at least two [preceding word in bold print] protectors of Macedonia, and the possible conflict—civil war—among the seven [preceding word in bold print] peoples within one state.

The statements of the Macedonian defense minister that there will be no war between Macedonia and Serbia are therefore not very convincing. If war breaks out in Macedonia, the previous wars on the territory of the former Yugoslavia will resemble only the tip of the iceberg. No one knows what will happen if, after being handed a "red card," [ejection in a soccer game] the Serbian soldiers do not leave Macedonia by 2 August, but instead bring in new forces, after which Minister Popovski hands them the second, third, and fourth "red card," and the "provoked" Serbs open fire.

Montenegro

Croatian Official Holds Talks in Podgorica

LD0607222794 Belgrade TANJUG Domestic Service in Serbo-Croatian 1444 GMT 6 Jul 94

[Text] Podgorica, 6 Jul (TANJUG)—Montenegrin Prime Minister Milo Djukanovic and Montenegrin Foreign Minister Miodrag Lekic received in separate meetings in Podgorica today Zvonimir Markovic, head of the office of the Republic of Croatia in Belgrade.

According to a statement issued by the republic's Secretariat of Information, talks between the Montenegrin prime minister and Markovic focused on bilateral cooperation, with both sides being in agreement on the need to speed up the normalization of relations between the Federal Republic of Yugoslavia and Croatia, Montenegro included, given the importance of geographic and other links between the two neighboring republics.

Markovic particularly expressed appreciation for the constructive role and readiness markedly displayed so far by Montenegro in the normalization of relations with former Yugoslav republics.

It was concluded that the quality normalization of relations on the territory of former Yugoslavia is directly linked with the stabilization of the situation in the Balkans.

Taking into consideration a UN decision from 1993 by which Debeli Brijeg was listed as a humanitarian border crossing, an agreement was reached that the relevant bodies of Montenegro and Croatia should enhance border cooperation and adapt it to meet humanitarian needs, particularly the needs of the neighboring regions of the two republics.

Relations improved in this way would form a good basis for the development of economic and other cooperation in the near future, it was concluded during the talks between Djukanovic and Markovic.

During the talks between Montenegrin Foreign Minister Lekic and the head of the Croatian office in Belgrade, opinions on bilateral relations were exchanged, and the importance of establishing official contacts and dialogue was particularly stressed.

A statement from the Montenegrin Foreign Ministry says that they discussed the issue of Prevlaka and agreed that the situation in the area is stable. It was also agreed that both sides expect a just and rational solution to be found during the further course of the peace process, especially during the final stages of resolving the whole crisis.

Lekic and Markovic also discussed joint efforts to solve some specific problems resulting from the aftermath of the war in the territory of former Yugoslavia. In that context, they noted the need to establish cooperation in the sphere of traffic and communication links, as well as to find organizational forms and methods to solve the problem of consular representation.